EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,929 — Thursday August 24 1989 — D 8523A

LEBANON
France seeks to be even-handed
Page 18

World News

Lithuania strikes blow for break with Moscow

The powerful Lithuanian nationalist movement passed a resolution effectively demanding independence from Moscow as demonstrators flooded into the streets to commemorate the 50th anniversary of the Soviet non-aggression pact with Nazi Germany which allowed the Republic's annexation. Page 2; Page 18.

Greek corruption

The Greek parliament voted to set up a special court to try former Socialist minister Nikos Athanasopoulos on corruption charges connected with the government of former prime minister Andreas Papandreou.

Wider purge urged

Hard-line Chinese leader Song Ping called for a widening of a purge of party leaders and charged that "quite a few" party members were behind Peking's democracy movement which the army suppressed in June. Page 4

Lebanese threat

Lebanon's Syrian-backed left-wing militias threatened to attack French naval forces due off Lebanon. Page 4; Dangerous waters, Page 18

Suharto visit

Indonesia's President Suharto will visit the Soviet Union next month, the first trip to Moscow by the Indonesian head of state during more than 23 years in power. Page 4

Dubcek visit banned

Czechoslovakia barred former Communist Party leader Alexander Dubcek from going to France for an international youth meeting, three days after his name was chanted by demonstrators marking the 21st anniversary of his downfall.

Ivory restraint

The world's two biggest manufacturers of musical instruments, Yamaha and Kawai, said they would stop buying ivory for their piano keys because of public pressure to protect elephants. Page 6

Vietnam's troops

Vietnam might send troops back to Cambodia after they are pulled out next month if a new regime in Phnom Penh asks them to return, the Foreign Minister said. Page 4

Beach chief quits

The Italian official appointed eight days ago to lead the clean up of algae-coated Adriatic beaches resigned suddenly amid allegations he once belonged to the banned P-2 freemasons' lodge. Page 2

Brief hijack drama

A brief hijack drama over the eastern Mediterranean ended peacefully when a man surrendered to Algerian police soon after an Air France Airbus landed in Algiers.

China medical pact

Project Orbis, an international flying hospital for eye diseases, signed a pact with China to train local doctors in one of Peking's first foreign-aid packages since martial law was imposed in May.

Cambodia revisited

Dith Pran whose flight from Cambodia a decade ago was portrayed in the film The Killing Fields, returned to Phnom Penh to highlight the danger of allowing the Khmer Rouge to share power in a government after Vietnamese troops withdraw.

Business Summary

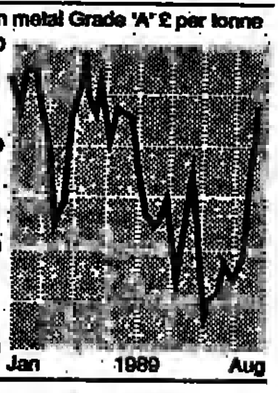
Brazil says remittance freeze is indefinite

BRAZIL is retaining all foreign companies' remittances of profits and dividends indefinitely in frozen accounts and not merely delaying their transfer abroad.

Armim Lore, the Central Bank director for external business, said the measure is connected to negotiations with foreign creditors on Brazil's $115bn foreign debt. Page 18

COPPER: LME copper for three months delivery surged to a 5½-month high of £1,840 per tonne reflecting a wave of

Copper
Cash metal Grade 'A' £ per tonne



fresh buying induced by renewed strength on Comex. Commodities, Page 38

GENERAL Electric Company is relinquishing control of important aspects of its business through three joint ventures it formed over the past year. Page 19

ATLAS Copco, Swedish mining, construction and industrial equipment manufacturer, announced a 34 per cent rise in profits to SKr712m ($107.8m) for first half of 1989. Page 21

DAF, Dutch truck maker which is 16 per cent owned by Rover of the UK, said net earnings rose 29 per cent to Fl 74.5m ($34.2m) for the first half of 1989. Page 21

VEBA, West German energy, chemicals and oil group, said net profit rose 19 per cent in the first half of 1989 to DM397m ($203m) from DM335m a year earlier. Page 21

MEXICANA de Aviacion: the Mexican Government announced the sale of a $140m stake in the state-owned airline to a consortium led by Grupo Xabre and including Sir James Goldsmith, Anglo-French financier. Page 19

BOMBARDIER, Canadian transport products group, said first half profits were almost unchanged at C$42.5m ($36m) despite a 26 per cent jump in sales. Page 21

MAYNE Nickless, Australian-based international transport and security services group, reported 37 per cent growth in net profits to A$113.9m ($87.6m). Page 21

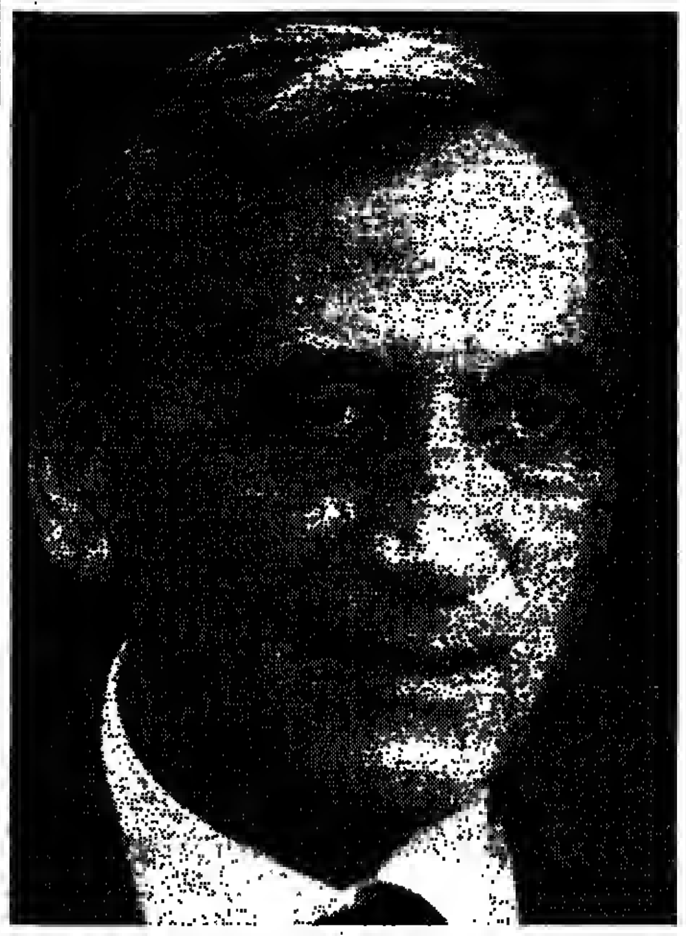
NATIONALE Nederlanden, biggest Dutch insurance group, reported net profits for the first six months rose to Fl 389.8m ($173m) from a re-stated Fl 293.8m a year ago. Page 21

CATHAY Pacific Airways, Hong Kong listed airline which is part of the Swire Pacific group, reported a 33.5 per cent increase in first-half net profits to HK$1.36bn ($174.4m) but said operating profits fell by 5.4 per cent. Page 21

ALFRED McAlpine, British construction group, said pre-tax profits tumbled 15 per cent to £4.53m ($7.1m) in the six months to the end of April partly because of a series of loss making public sector contracts. Page 19

FRANCE: the Commission des Opérations de Bourse (COB), France's stock exchange regulatory body, stepped into the FFr24bn ($3.6bn) battle for Compagnie Industrielle, holding company, and Victoire, insurance group, with a firm reminder of the takeover rules. Page 19

No turning back, declares new Polish leader



Mazowiecki: due to be confirmed as PM today

MR TADEUSZ MAZOWIECKI, Poland's Prime Minister-designate, said yesterday that his political goal was to create a system in which it would be normal for power to pass from one party to another and in which "various political forces can create a government."

Mr Mazowiecki is due to be confirmed today by the Polish Parliament as the first non-Communist Prime Minister in Eastern Europe for more than 40 years.

In an interview with the Financial Times, he warned that: "Polish society is not really fully aware of how difficult coming out of a crisis is – so the first thing is to make people realise that."

The veteran Solidarity adviser looked tired after days of hectic consultations. He spoke slowly but emphatically, drawing on American cigarettes in the little office he had as editor of the Solidarity Weekly and which still serves as his base. He said:

- he would depoliticise the police, army and the media;
- he would make the state and Government the focus of loyalty, not the ruling party;
- he would seek to work with the nomenklatura – managers in key state posts appointed by the Communist Party – in the belief that many would follow his lead;and that
- President Wojciech Jaruzelski, the Communist President, agreed with him in recent talks that there could be no return to one-party rule.

The main points from the 35-minnte interview were:

On his responsibilities: "Only a naive child could not feel the pressure. But one also has to take an example from that child – a kind of fresh look at the world. One must also trust in man's good thoughts and his good qualities.

"One has to say to oneself – I can't do everything, hut I will do something, and maybe I will help to change Poland."

John Lloyd in Warsaw talks to Mr Tadeusz Mazowiecki, in hia first interview with a Western journalist

On the Cahinet: "No political force becoming part of this Government, which will includa Communists, Peasant and Democratic Parties, as well as Solidarity, will be satisfied with just anything... as I said to the Solidarity deputies this morning, I can be either a good Prime Minister or a bad Prime Minister, hut I will not be e painted Prime Minister.

"That means that the side from which I come... cannot be responsible only for second-rank ministries but must have significant posts, including economic ones.

"But the responsibility must be split; otherwise, it will be easy to attack this Cabinet by saying it was 'them' (Solidarity) and not us wbo are responsible for this or that. We must share responsibility."

On the Communist bloc: "What will change us is the evolution now going on in the whole of the Communist bloc. There is a new element here: this is a new political rule.

"That is, that different forces, various political forces, can create a government. Today this is being done here in conditions of a full-scale political crisis... but we must reach normality and understand that it is normal that one political force and later another political force is the one which is creating the government.

"My political goal is to bring in this type of political system as the normal one. But we can only go through this stage step by step."

On the economy: "We need some time... If all goes well, I will start working with a new government at the beginning of September and, if my information is correct, the new session of talks with the IMF will be held from September... I have to count on understanding in this exceptional situation.

"The decisions will be difficult, both in the sense of working out a plan and of executing it. I cannot answer the question on whether or not I will be able to succeed in retaining support.

"But I will always try to tell society the truth, even if it is hard. Everything has already been said and written on how hard things are with us – but Polish society is not really fully eware as to how difficult coming out of a crisis really is.

"So the first thing is to make people realise that, and then also make tbem realise that the government I create cannot be blamed for what has already happened, but can be judged for what we do from now on."

On the Communists: "The question I am facing is this: Would it be possible to work with them? Because, if it is true that the 'devil is in details,' then it is when we reach the stage of concrete proposals that the most difficult period will come.

"But I truly hope that, for the responsible people on both their side and on ours, there is one feeling in common – that there is no way back.

"If we wanted to retreat now, we would find ourselves in a much deeper crisis – and that is the view of the President when I talked with him."

On being the first Roman Catbolic Prime Minister since the Second World War: "Catholicism, Christianity, bas played a great role in the life of our

Continned on Page 18
Human chain unites Baltic, Page 18

Hoylake boosts BAT campaign

By Nikki Tait in London, George Graham in Paris and Anatole Kaletsky in New York

SIR JAMES Goldsmith's Hoylake consortium yesterday boosted its campaign to take over BAT Industries, the tobacco-based conglomerate, by conditionally agreeing to sell Farmers Group, BAT's US insurance subsidiary, to Axa Midi, the French-based insurance group, if the offer is successful.

By providing a firm buyer for the US insurance arm, Hoylake hopes to smooth its path in gaining the required US insurance regulatory clearances. The task of obtaining these clearances within a UK 60-day bid timetable has been seen as a significant obstacle to the bid.

The deal was fiercely criticised by Mr Patrick Sheehy, BAT's chairman. "Hoylake is proposing to sell Farmers on the cheap in a forced sale. BAT shareholders would be deprived of its real and future potential."

The bidder however, also put in a submission yesterday to the Takeover Panel, the UK bid watchdog, asking for an extension to the timetable.

Part of Hoylake's argument is thought to centre on a claim that BAT has been taking thwarting action in the US – strenuously denied by the defending group. Hoylake said yesterday that it believes over 40 lobbying, public relations, and legal firms may now be employed by BAT in the US.

The bidder declined to be drawn on whether it believes that the US regulatory consents could now be obtained within the current timetable, retorting that this depends on how BAT behaves.

It will, however, still have to pursue its current "form A" filings with the insurance commissioners to gain approval for its own ownership of Farmers – or that of a voting trust – during an interim period, before the Axa sale takes effect. Additional filings will be made in respect of the new ultimate arrangement.

Axa has conditionally agreed to buy Farmers for $4.5bn (£2.99bn) – in sterling terms, the same price at which BAT acquired Farmers last year – and to invest up to £600m in Hoylake. The consideration would comprise $2.25bn in cash at completion and the balance in negotiable loan notes.

The deal is conditional on Hoylake gaining control of BAT; getting all the necessary clearances from the US insurance commissioners, and on Axa having subscribed for up to 15 per cent of Hoylake's "A" shares if Hoylake makes a revised offer for BAT or if the current offer lapses. Axa would not be obliged to subscribe more than £600m.

Hoylake said that details of the sale to Axa, the cash subscription, and the effect this might have on other consortium members' stakes in Hoylake, would be spelt out if a revised offer was made. It is understood that the interests of the principal consortium members – Sir James Goldsmith, Mr Rothschild and Mr Kerry Packer – would probably not be diluted.

For Mr Claude Bébéar, the chairman of the Axa group, the opportunity to acquire Farmers fulfils a long-standing desire to expand in North America.

The US was viewed as one of the main targets of the agreement Axa worked out with Generali, the largest Italian insurer, which has taken a 16 per cent stake in Compagnie du Midi, the insurance and industrial holding company of which Axa took control earlier this year after a lengthy power struggle between Mr Bébéar and Mr Bernard Pagézy, Midi's chairman.

Building on the base of Mutuelles Unies, a grouping of mutual insurance societies, Mr Bébéar has built Axa into one of France's largest insurers, behind the state-owned Union des Assurances de Paris and close to the newly created combination of Victoire with West Germany's Colonia/Nordstern.

After taking control of the Drouot, Providence and Presence insurance companies, the entry into Midi – initially intended as a defence mechanism to ward off Generali – took Axa into a different

Continued on Page 18
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Air Force co-opted in Australian strike

By Chris Sherwell in Sydney

THE Australian Government has ordered the Royal Australian Air Force to help supply air services after domestic carriers suspended their striking pilots.

The move, which also allows international airlines to fly internal routes, marked a further escalation in Australia's most intense industrial relations confrontation for years.

Ansett and Australian Airlines, the two domestic carriers, acted against the pilots yesterday when they refused to end a 9 am to 5 pm working regime which they imposed last Friday in support of a 29 per cent pay claim.

On Monday, the pilots' hard line prompted the Industrial Relations Commission, the country's arbitration body, to cancel the pilots' industrial agreements with the airlines.

Last night, the two domestic airlines arranged for passengers to travel from Sydney to Melbourne on a Thai International Airways flight. British Airways, Continental Airlines of the US and other carriers are also expected to tap a market normally closed to them.

Qantas, Australia's international carrier, has an estimated 17,000 empty seats a week in flights within Australia but its pilots, who are not part of the dispute, are reluctant to become involved in strike breaking. The Royal Australian Air Force can help because it has several passenger aircraft at its disposal.

An unknown number of the 1,600 pilots have been "stood down," or laid off, so far. According to the Australian Federation of Airline Pilots, a few have resigned.

Mr Bob Hawke, the Prime Minister, yesterday warned the economy would be "devastated" if the pilots won their dispute – a reference to the influence it would have on other workers if the pilots secured a 29 per cent rise on their average pay of A$79,000 (US$60,300) a year.

UK July trade deficit of £2.1bn hits hope of interest rate cuts

By Simon Holberton in London

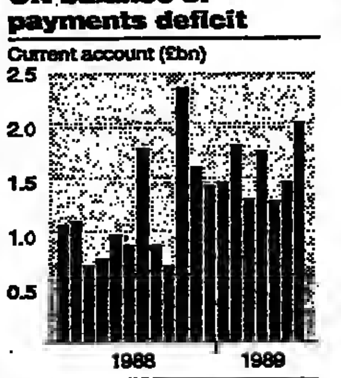
BRITAIN showed its second-worst monthly current account deficit in July, according to figures out yesterday which surprised UK financial markets and hit expectations of an early cut in interest rates.

The Central Statistical Office's announcement of a £2.1bn ($3.3bn) current trade deficit for July compared with market expectations ranging around £1.4bn. It took the cumulative deficit for the first seven months to £11.5bn and the annual rate to nearly £20bn.

In response to the figures, the Bank of England was forced to intervene in currency markets to stabilise the pound, which at first fell 2 pfennigs and 1 cent. Sterling, however, later recovered most of its losses.

Prices of UK Government stocks fell by up to a point, but in the equity market prices rose amid takeover speculation, pushing the FT-SE 100-Share Index up to close 11.6

UK balance of payments deficit
Current account (£bn)



higher at 2,382.4 – a new post-crash peak.

The poor July figures, however, and the Government's need to sustain the pound at around its current level for the rest of the year to bear down on domestic cost pressures, would seem to rule out any early cut in interest rates.

Analysts think the Government will hold bank base rates at 14 per cent until at least the end of this year, and possibly until next March. Such a stance would almost certainly lead to a rise in home loan rates later this year.

Mr Peter Lilley, Financial Secretary to the Treasury, said on BBC Radio that getting inflation down remained the Government's prime objective and that interest rates would be maintained at their current levels for as long as was needed to meet that objective.

He warned against reading too much into July's statistics: "It is always a mistake to comment on a single month's figures and doubly so at a time when they are rendered almost meaningless by the fact that there has been a national dock strike."

CSO officials suggested that while there may have been some distortion created by importers and exporters bring-

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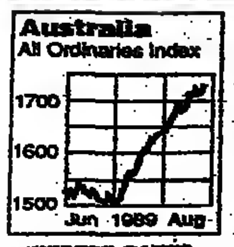
MARKETS

Australia
All Ordinaries Index



STERLING
New York close
$1.5713 (1.5895)
London:
$1.5705 (1.5845)
DM3.0725 (3.0775)
FFr10.3625 (10.3825)
SFr2.6500 (2.6525)
Y225.0 (225.75)

DOLLAR
New York close
DM1.9560 (1.9360)
FFr6.5900 (6.5460)
SFr1.6840 (1.6717)
Y143.15 (142.175)
London:
DM1.9565 (1.9415)
FFr6.5975 (6.5525)
SFr1.6875 (1.6735)
Y143.20 (142.55)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,678.11 (+27.12)
S&P Comp
344.69 (341.14)
London:
FT-SE 100
2,382.4 (+11.6)
World:
151.97 (Tues)
Tokyo
Nikkei Ave
34,893.28 (-221.07)
Frankfurt
Commerzbank
1,969.8 (1974.4)

INTEREST RATES
US lunchtime
Federal Funds 9¾% (8¾)
3-mth Treasury Bills: yield: 8.27% (8.323)
Long Bond: 99¾ (99½)
yield: 8.2% (8.248)
London
3-month interbank: close 13 11/16% (13⅞)

OIL
Brent 15-day (Argus) $17.20 (same) (Sept)
West Tex Crude $18.775 (same) (October)

GOLD
New York latest
Comex Dec $372.4 (374.5)

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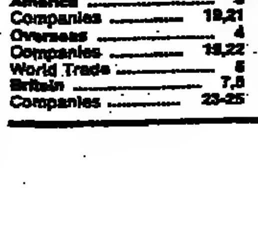
Colombia and drugs: a last chance to break free



"It is not an offensive against the government or against justice. It is a war on the country." This was how President Virgilio Barco described the recent onslaught of assassinations by Colombia's cocaine mafia
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EUROPEAN NEWS

Powerful nationalist group calls for action to restore republic's independence

Lithuania heads for break with Moscow

By James Blitz in Vilnius

THE 50th anniversary of the signing of the Molotov-Ribbentrop Pact was yesterday commemorated in Lithuania with the toughest blow for independence yet struck by a Soviet republic against its master in Moscow.

The council of Sajudis, the powerful nationalist movement in the republic, passed a resolution which virtually demands outright independence for Lithuania and removes the republic from "the judicial and administrative authority of the USSR."

The Kremlin will be particularly worried because Sajudis has enormous sway over the actions of the Lithuanian Communist Party.

More than any other independent movement in the country, it is a force to be reckoned with in its own republic. That was proved at the March elections to the Congress of People's Deputies, when Sajudis candidates won 36 out of the 42 seats contested in the republic.

The widespread view is that Sajudis has made Lithuania the front-runner in the struggle for independence by Moscow's outlying republics.

Yesterday the movement scaled new heights when its council (immodestly entitled "the Sejm," like Poland's actual Parliament) called on Lithuanians to "take the peaceful course to becoming an independent democratic republic once again."

"Lithuania," the resolution continued, "is no longer under the administrative or judicial jurisdiction of the USSR with immediate effect. Relations between Lithuania and the USSR must be built on the basis of the treaty of July 12 1920."

That treaty created the independent state of Lithuania, which was invaded by the Soviet Union in 1940.

The resolution concludes: "Soon the day will come when the government of the USSR will recognise the occupation of Lithuania, and end it. Today the (Russian) army of occupation in Lithuania limits the possibility of people to determine their future."

Despite the strong language of the final resolution the Council deliberately stopped short of calling for outright independence from the Soviet Union, at the end of a heated debate in which emotions were heightened by the significance of yesterday's anniversary.

A sizeable number of the delegates wanted a motion calling for independence to be approved. "Are we going to leave the USSR or not? We have to come out and say it once and for all," pleaded one delegate.

However, the council's leadership repeatedly warned against passing any resolution that would provoke "a physical reaction from Moscow," as one delegate put it.

Mr Arvidas Juozaitis, a council member, said that the resolution had serious consequences, nevertheless. "It will push the Lithuanian Communist Party down the road to breaking with Moscow," he said.

"A split could well occur before the end of November," when republican elections are expected to be announced.

That is the pivot on which all Lithuanian politics are now balanced. If the swell of support for the independence movement increases, the Communist party leadership will need to start thinking about saving its neck by deserting the Moscow party altogether.

Indeed, it has already started doing that. Last week, Mr Valerijonas Baltrunas, an ideology secretary in the Lithuanian central committee, said his party could not "stay in the stagnant condition it is in at present. It will not remain like the regional parties of Russia, Kazakhstan and the Ukraine. I do not exclude the possibility that the Lithuanian party will be re-established."

A party split would effectively end Soviet rule in the republic. Ironically, Mr Juozaitis, while saying this is now a real possibility, also insists that Sajudis is less daring than Solidarity has been in neighbouring Poland.

"There they are moving against Moscow absolutely openly. Solidarity is taking control of the administrative organs of power, while we are simply setting out radical, judicial limits to Soviet rule."

But anyone putting down such a radical demand can be forgiven for pointing – with relief – at the even more radical bunch next door.

Mazowiecki seeks accommodation with Communists

By John Lloyd in Warsaw

MR TADEUSZ MAZOWIECKI, Poland's Prime Minister-designate, yesterday outlined a conciliatory, step-by-step approach aimed at drawing the claws of the Communist party.

In a speech to Solidarity members of the Sejm (lower house of Parliament) he said that if provoked, "they (the party) might become dangerous and aggressive: we should support and bring to order all the people, rejecting none of them.

"All political movements and social groups will have to face the new situation, including us (Solidarity)," he said.

In a modest remark of the kind which is already becoming his trademark, Mr Mazowiecki added: "We were as unready to take over power as the Communists were unready to give it away."

The main debate in the Sejm, which again saw a startling reversal of the Polish United Workers (Communist) Party's former position, was concerned with the Molotov-Ribbentrop Pact, whose secret protocol effectively dismembered Poland between Nazi Germany and the Soviet Union and later delivered the Baltic states to Soviet power.

By a vote of 344-nil, the Sejm voted to condemn the pact as an aggression on the Polish nation and called on other states to follow suit.

Mr Mazowiecki and his senior colleagues continue to deny that they are engaged in bargaining over ministries and senior posts with the other prospective parties in a future grand coalition. All the main political groups have already given assent to such a coalition.

Such views were echoed by Mr Jacek Kuron, the leading Solidarity member, who said in a radio interview last night that "we are beyond the stage of a struggle for power in which every party is seeking to take as much as it can within the government. We should give full responsibility to experts to take over the government.

"We have to stop this business of going for the numbers."

Fielding questions from Solidarity Deputies, Mr Mazowiecki agreed that control of the mass media must be taken away from the Communists, and he invoked the example of the BBC as a broadcasting authority which allowed full and equal access of opinion.

He also said that the regional authorities (voivodships) and boards of education would have to be cleansed of their one-party domination and that the "citizens' committees," the Solidarity local bodies which organised the movement's election efforts should be revived to act as constituency organising groups.

Ireland set for strong economic growth

By Kieran Cooke in Dublin

THE IRISH economy will grow by nearly 6 per cent this year, according to the latest report by the Dublin-based Economic and Social Research Institute.

The most optimistic forecast of Irish economic performance so far, the report predicts that total employment levels will increase by 14,000 during the year, making significant inroads in the country's jobless rate, at present standing at 17 per cent.

The partly Government-funded institute says that strong growth is likely to continue through next year, with further increases in jobs.

The growth already evident this year, it says, is due mainly to a better than expected export performance, higher personal spending and a big increase in capital investment.

However, the report warns against a relaxation of public spending controls, promises of tax cuts or public service job increases. It suggests the Government concentrate on reducing the level of foreign borrowing in order to tackle Ireland's national debt which is running at I£25bn (£22bn).

"Unpalatable as it may seem, caution is likely to prove much more successful in the long run, by consolidating the conditions under which balanced growth can continue well into the nineties," says the report.

Brussels urged to enter Naseby fray

By Tim Dickson in Brussels

MR CARLO Ripa di Meana – best known in Britain as the European Community's scourge of poor quality water – is being urged to help save one of England's most famous battlefield sites.

Several eminent campaigners – including the British historian Dame Veronica Wedgwood and Britain's former Labour Transport Minister, Dr John Gilbert – have written to the Environment Commissioner asking him to intervene in controversial Whitehall plans to build the A1-M1 link road across the site in Northamptonshire of the battle of Naseby, a turning point in the English civil war.

They argue that the proposed route crosses an area where some of the key fighting took place and that as a result a part of Britain's – and Europe's – heritage will be lost.

As Mr Ripa di Meana is on holiday in his native Italy the surprisingly voluminous and well documented correspondence is being handled by his advisers in Brussels, though no decision about EC action will be made until his return at the end of the month.

Commission legal experts are studying the grounds of the complaint which in theory should come under the so-called Environmental Impact directive, which requires that issues of historical interest are taken into account by the member states when major development projects are undertaken. At this stage it appears likely that the UK Government will escape on a technicality – the order for the road may have been signed before the EC measure had been adopted.

Mr Ripa di Meana – whose obstinacy in insisting that Britain shows greater regard for EC drinking water standards has infuriated UK Ministers and their officials over the last few months – is nevertheless thought to be *sympathetic* to the campaigners' plight (even if he is not a noted student of the English civil war).

According to a letter written to him by a historian, "Naseby is a battle which had important social and political consequences. The defeat of King Charles I there resulted in him being unable to reconstruct his war effort in the north Midlands…In short it cost the King the war."

The letter goes on to dispute the Department of Transport's Environmental Statement which, it is claimed, "seeks to move the action of the battle northwards, out of the way of the road's proposed site. However, contemporary written and pictorial evidence indicates…the main fighting took place in the area of the proposed road."

Meanwhile Mr Ripa di Meana also has to do with pressing environmental issues closer to home. Complaints have also been lodged in Brussels about the trade in kangaroo skins between Australia and Italy. The 200,000 raw skins and 116,000 other skins imported each year are used in the manufacture of Italian shoes. Now an Italian lobby is calling for the trade to be stopped, and British and American campaigners are calling on the Commission to use its influence to stop the killing of kangaroos.

Economy new focus of Yugoslav unrest

By Our Foreign Staff

THE Yugoslav authorities are becoming increasingly concerned over a spate of strikes and demonstrations, which seem to indicate a growing impatience with the continuing social and economic crisis.

Yugoslavia last year was dominated by large nationalist-inspired demonstrations. These were spearheaded by the leadership in Serbia which sought to gain greater control over the southern province of Kosovo.

The Serbian Communist Party, then led by the powerful Mr Slobodan Milosevic, had alleged that the small Serb minority in Kosovo had been intimidated by the ethnic Albanian majority.

Such demonstrations created tensions among the six republics, with the more liberal-inclined ones, such as Slovenia and Croatia in the north, accusing Serbia of attempting to gain political dominance in the Yugoslav federation.

However, it now appears that while the nationalist tensions continue to exist, there is growing evidence that Yugoslavs are becoming increasingly impatient with the economic crisis. One of the causes of the discontent is the drop in living standards and inflation, which is expected to reach 1,000 per cent by the end of the year, despite attempts by Mr Ante Markovic, the Prime Minister, to introduce a package of radical economic reforms.

This mounting dissatisfaction with the state of the economy was expressed last Sunday when thousands of Yugoslavs took to the streets in protest against a decline in living standards and even food shortages.

The mass meeting, called "Against Hunger", was held in Niksic, a large industrial town in the southern Republic of Montenegro. Strikes have also increased which could inhibit Mr Markovic from introducing a tough anti-inflation policy.

At the same time, some Yugoslav officials believe that Mr Milosevic, who is the President of Serbia and who has criticised Mr Markovic for failing to improve living standards and halt inflation, could be seeking to unseat the Prime Minister.

END OF THE ROAD: Sympathy but little else yesterday from a Hungarian soldier blocking the escape of an East German across the open border to Austria. Hungary, which removed the border fence in May, yesterday reacted to the East German exodus by stepping up surveillance by border guards. Overnight 250 East German refugees had fled to the West, joining 2,000 who have escaped in the last four days. But Hungarian guards stopped an attempted mass escape by 300 refugees near Lake Neusiedl.

Denmark to freeze spending next year

By Hilary Barnes in Copenhagen

A NEW round of cuts in Danish welfare spending and government jobs, with the aim of containing public expenditure, was announced yesterday by Mr Palle Simonsen, the Finance Minister, in his presentation of Denmark's draft budget for 1990.

This will be the sixth year running that spending has been frozen. In order to achieve its target, the non-Socialist Government will need to find planned cuts of DKr8bn before the budget is passed in December.

"The foreign debt is increasing steadily, and we need an increase in private saving and a continuing tight austerity policy," Mr Simonsen told a news conference.

Denmark's foreign debt rose DKr2.0bn (£1.7bn) in 1988 to DKr296bn at the end of the year, the highest per capita debt burden of any Organisation for Economic Co-operation and Development member.

The biggest item of expenditure next year, the minister said, would be interest payments on foreign debts, which would take DKr61.7bn.

The draft budget calls for spending of DKr280bn, with a deficit falling to DKr2.8bn next year from an estimated DKr5.1bn this year. Revenue is planned to increase from DKr272.4bn this year to DKr277.5bn next. Expenditure will rise from DKr273.6bn to DKr280.3bn respectively.

"Only the UK and Luxembourg among EC countries have a comparably favourable position," said Mr Simonsen.

In addition, the Government plans to make cuts in its contribution to unemployment benefits, subsidies to business and "social" housing, and incremental reductions in the state payroll with the aim of shedding jobs by 3,000 per year by 1992.

Attempts to contain public spending will also be affected by plans to sell some of state assets in the value of DKr2bn. The privatisation plans remain sketchy. However, Statsanstalten, the state life insurance company, and Kastrup international airport at Copenhagen, are understood to have been earmarked for possible sale.

Next year's budget plans envisage a moderate recovery in the economy, a welcome sign after negative growth for the past two years. GDP, for instance, is expected to increase by about 1.5 per cent both this year and next thanks to an increase in exports of about 5 per cent in real terms in both years.

The rise in consumer prices is forecast to slow to around 3 per cent in 1990 from 4.5 per cent this year.

Romania hits back at UN charges

ROMANIA yesterday reproached the United Nations for publishing "defamatory and tendentious allegations" by a Bucharest professor who accused the country's Communist rulers of political repression and economic madness, Reuter reports from Geneva.

A note from the Romanian diplomatic mission said Professor Dumitru Mazilu, author of a report to a UN human rights panel, was ill and did not possess "the intellectual capacity necessary for making an objective, responsible and unbiased analysis."

It referred to a report by Prof Mazilu on human rights and youth, circulated to delegates at an annual session of the UN Sub-Commission on Prevention of Discrimination and Protection of Minorities.

Prof Mazilu, former head of Romania's Foreign Ministry legal department, wrote to the panel that he could not present the report personally in Geneva because he was under house arrest and subjected to police terror and death threats.

His report implicitly accused President Nicolae Ceausescu of dictating disastrous economic policies and said millions had to search desperately for bread while their Communist rulers lived in luxury. "In Romania one single leader, one single name, is cultivated insistently, exasperatingly – that of the dictator," it said.

Swedes propose six weeks annual holiday

By Robert Taylor in Stockholm

SWEDES will be entitled to six weeks paid holiday a year from 1993 under legislation the government intends to present to Parliament in the autumn.

Mr Ingvar Carlsson, the prime minister, yesterday told the Building Workers Union conference in Stockholm that the reform would be introduced in three stages between 1991 and 1993. It honours a campaign promise by ruling Social Democrats.

About 40 per cent of Swedish workers, mostly public sector employees, already have six weeks or more holiday through collective agreements between their unions and employers.

Unlike in West Germany, the manual unions in Sweden have not pressed the issue of a 35-hour working week and have shown readiness to accept flexible round the clock and weekend working. Instead, they have pressed for longer holidays.

Sweden's first law on holidays, introduced in 1938, provided two week's vacation for all workers, a major social advance at the time. Further legislation extended holiday entitlement in 1951, in 1963 and by 1978 to five weeks.

The Swedish labour movement has traditionally given the holiday issue high priority in its aim to narrow differences between blue and white-collar workers and to equalise living conditions. At next week's Metalworkers union conference delegates will discuss a strategy for the 1990s that floats the idea of a working time "bank" whereby workers can save up their free time and then use it when they wish.

Earlier this week a report on working hours by a parliamentary committee rejected proposals to reduce the length of the working week. Current legislation, dating from 1970, imposes a 40-hour week. Many women's organisations are campaigning for a six-hour working day without loss of pay but this has not been taken up by the big unions.

Indeed, this week's report suggests the cost of such a reform for Swedish industry would be prohibitive.

● Swedish train drivers yesterday called off their unofficial strike. Their leader Mr Lasses Carlsson said: "We have decided to go back to work because the disruption became so great and industry and passengers have been hit." He added: "I am convinced that the employers and the union will listen to us in future."

He said the strikers' demands for more pay and for the retirement age not to be raised beyond 60 still stood, and warned that they might take further disruptive action.

Rome tries to get grip on Calabria bandit country

Carabinieri comb Aspromonte for kidnap victims while Italy watches on TV, writes **Alan Friedman**

WHILE MILLIONS of Italians loll about the beaches this August, the television news has been filled with images of a starkly different summertime activity.

Night after night one sees depressing scenes from the region that is known as the "South of the South". Some 250 Carabinieri have been combing the rough and mountainous terrain of the Aspromonte provinces of Calabria, the poorest and most under-developed region located at the very toe of Italy.

The Carabinieri – who have detained and released several thousand people since their sweep began on July 1 – are hunting some of the nation's most desperate criminals, members of the N'drangheta, the Calabrian Mafia that specialises in kidnapping. (The Sicilian Mafia specialises in the heroin trade and the Neapolitan Mafia, the Camorra, works the cocaine market).

N'drangheta clans are currently holding four kidnap victims and are demanding millions of dollars in ransom.

The geography of the Aspromonte makes it easy for the kidnappers to hide in heavily camouflaged mountain refuges, while the power and influence of the N'drangheta – a cult said to have been based on blood oaths sworn by peasants centuries ago – have caused leading Italian politicians and policemen to lament the fact that this part of Italy is only theoretically under the control of the national Government in Rome.

Nor can the help of locals in Calabria be counted on; as in Sicily, the rule of *omertà*, or silence, governs more than the law.

In many ways the Aspromonte is an outlaw region, and is considered so dangerous that in order to mount this summer's blitz it was necessary to ask for volunteers from among the ranks of the Carabinieri.

The search for the kidnap victims, which has brought numerous statements of good intent from Mr Giulio Andreotti, the Prime Minister, and from Mr Antonio Gava, his Naples-born Interior Minister, has gripped the Italians as much as has the poisonous atmosphere in Palermo, where Mafia killings and judicial intrigues have dominated this summer's headlines.

Some would suggest that the victims in Calabria, including middle-aged businessmen and a 20-year-old youth who has been held for more than a year, are as much "hostages" as the Americans held by Hizbollah in Beirut. But the main difference is that the Calabrian hostages exist in a nation that prides itself on being the world's "fifth most important industrial economy" and wishes its image to be more European than Mediterranean.

Earlier this month, in an appeal for urgent action to combat organised crime in the Mezzogiorno, or southern region of the country, Mr Andreotti declared that "this is not the Italy that should be going into the Europe of 1993." And aside from battling the Mafia in Sicily the Prime Minister proclaimed the taming of the Aspromonte an equally dramatic priority.

But it is difficult to see how sending a few hundred Carabinieri will help the Italian state reassert its authority. Indeed, the whole question of the Calabrian problem has only re-ignited since June, when the mother of one of the kidnap victims, 20-year-old Cesare Casella, travelled into the danger zone herself and issued a plea for the release of her son.

The bizarre spectacle of "Mama Casella", who camped out in the mafioso town of Locri in the Aspromonte and was met with hostility and indifference by many of the locals, fired the imagination of the public.

IN recent weeks, two kidnap victims have been released, one after the payment of an enormous ransom and the other, minus an ear. The young Carabinieri who have volunteered to go into the Aspromonte are undoubtedly the unsung heroes of this very Italian drama.

In the past few days they have become the stars of nightly news broadcasts. "We are here because we want to do something," explained one off-duty Carabiniere in Calabria, strolling about town clad in shorts and a tee-shirt, a pistol in one hand: "We are here to show solidarity and also for the adventure," admitted a colonel before setting off into the treacherous hills.

Meanwhile, Mr Gava, the much criticised Interior Minister, made a showy symbolic visit last week to the depths of the Aspromonte. Flanked by Italy's top policeman, he flew in by helicopter and made extremely optimistic noises about winning the battle against the Mafia, admitting that it was none the less "not easy" co-ordinating the work of the various police and para-military services, and declaring finally that there must not be areas of Italy which are "off limits" to the Italian state.

For his critics, however, and these include the families of Aspromonte kidnap victims, the minister has something of a credibility problem.

UN chief's Cyprus plan voted down

By Andreas Hadjipapas in Nicosia

EFFORTS TO resolve the Cyprus problem suffered another setback yesterday when the Turk-Cypriot Assembly in the north rejected ideas for a settlement drawn up by Mr Javier Pérez de Cuéllar, the United Nations Secretary-General.

The UN chief had submitted his suggestions as "food for thought" in the year-old talks between President George Vassiliou and Mr Rauf Denktash, the Turkish-Cypriot leader.

His aim was to help them draw up an outline agreement for a settlement by next month when the two men are due to go to New York again to see Mr Pérez de Cuéllar.

Mr Denktash has angrily rejected the contents of the document

Anti-algae admiral goes down after only eight days in the job

By Alan Friedman

THE MAN appointed eight days ago as Italy's special government commissioner in charge of the clean-up of the algae-coated *Adriatic* coastline has resigned suddenly amid allegations that he was previously a member of the banned P2 freemasons' lodge.

Admiral Sergio D'Agostino was formerly a senior official in the Italian secret services.

A spokesman for the Environment Ministry in Rome said yesterday that Admiral D'Agostino's qualifications to battle the Adriatic algae problem had nothing to do, however, with his previous experience in the intelligence *business*.

The announcement of the Admiral's resignation was buried in a low-key press release from the Environment Ministry which simply noted that the special commissioner had been replaced by Mr Paolo Arata.

But Il Sole 24 Ore, the leading Italian business newspaper, yesterday revealed the P2 connection in a prominent front page article. The Environment Ministry said yesterday it could not comment officially on whether Admiral D'Agostino had been removed from office because of parliamentary questions about his colourful past in the secret services and the discovery eight years ago of his name on a list of 962 members of the P2.

Mr Arata, the new anti-algae czar, will have his hands full as he attempts to clear up the Adriatic coast, whose tourism industry has suffered a 25 per cent drop in bookings, mainly from German holiday makers, since the algae problem developed earlier this summer.

● Mr Giampiero Pesenti, a prominent Italian industrialist who controls Italmobiliare, the diversified cement and engineering group, has been indicted in Milan on charges of falsifying balance sheets and misappropriation of funds.

Mr Pesenti, who also sits on the main board of the Fiat group and is chairman of Gemina, an investment company indirectly controlled by Fiat, stands accused of involvement in a series of improper dealings with the Vatican bank dating back to the 1970s.

None of the charges against Mr Pesenti is connected to his relations with the Fiat group.

Italmobiliare in 1972 received a loan from the Vatican bank that was indexed to the Swiss franc. In 1979, when the loan was disclosed, the Vatican bank received L160bn or more than three times the initial amount.

Mr Pesenti has been indicted because he sat on the Italmobiliare board at the time.

His father, Carlo Pesenti, died in September 1984 just hours before he was due to stand trial in Milan on fraud charges connected to the collapse of Banco Ambrosiano, the bank chaired by the late Roberto Calvi in which the Pesenti family was both a shareholder and loan recipient.

Hungarians freed

Czechoslovak authorities yesterday fined and released seven Hungarians arrested for taking part in a Prague protest on the 21st anniversary of the Soviet-led invasion of Czechoslovakia, Reuter reports. Six were fined Koruna 500 (about £30) and the seventh Koruna 300 crowns. Two other Hungarians are still held.

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AMERICAN NEWS

Bush praises Barco over trafficking crackdown

By **Lionel Barber** in Washington

PRESIDENT George Bush yesterday praised President Virgilio Barco of Colombia for cracking down on drug traffickers and said the US was standing by with an offer of support for training and equipment to help the Bogota government.

President Bush told reporters in Maine, where he is spending a three-week summer vacation: "I have great respect for what President Barco is trying to do. . . I am convinced he is determined to whip the problem."

His comments came as the US Justice Department waited for Colombia to carry out its pledge to extradite Eduardo Martinez Romero, a 35-year-old suspect indicted in the US for his role in a $1.2bn money-laundering ring.

The Justice Department considers tha Romero case the first test of Colombia's new policy to ease extradition of narcotic traffickers to stand trial in the US. It is preparing to revive 80 more indictments

George Bush: 'Great respect'

of drug suspects wanted in the US and sought by the Colombian Government.

But none of the leading figures involved in the Medellin or Cali cartels – the two largest cocaine trading blocs – has yet been reported to be detained.

Colombia has co-ordinated operations with neighbouring states to prevent traffickers escaping, and Interpol has been alerted. President Bush yesterday repeated that President Barco had not requested US troops to help him deal with the drug traffickers.

The Washington Times reported yesterday that two prominent members of the Medellin cocaine cartel – Pablo Escobar Gaviria and Jose Gonzala Rodriguez Gacha – had fled to neighbouring Panama. The report could not be confirmed, but in 1984, following a similar crackdown by the Colombian government, several leading drug traffickers are said to have sought haven in Panama.

US-Panama relations are under severe strain because of the continuing efforts by the Bush administration to persuade General Manuel Noriega, the country's military ruler, to step down from power. General Noriega is under indictment himself in the US for drug-trafficking.

DRUGS BARONS STILL AT LARGE

Colombian police arrest five murder suspects

By ***Sarita Kendall*** *in Bogota and* ***Our Foreign Staff*** *in London*

COLOMBIAN police have arrested five suspects in the killing of Senator Luis Carlos Galan, whose murder sparked off a huge assault on drug-related activity, hut the practical impact of the crackdown is still in doubt.

The police have five suspects, found with an Uzi submachine gun, snch as that used to kill the Senator and are asking for witnesses from the political rally last Friday to come forward. They were displayed to local reporters at national police headquarters and shown on television.

There has still been no indication that any of the leading figures from the Medellin or Cali cartels have heen detained. Mr Eduardo Martinez Romero, an alleged finance chief for the Medellin cartel, was caught in the sweep, and police have started the paperwork for his extradition to the US, where he is accused in a billion-dollar money laundering scheme.

The Associated Press news agencyreported that a US government plane had been in Colombia since last weekend, hut its purpose there was unclear.

The extradition of Mr Martinez is seen hy Washington as a key test of the political will of the Colombian government to carry through its prosecution of the war against the drug traders. Colombia'e President, Virgilio Barco, revived the extradition legislation last week after Sen Galan's murder. But Mr Martinez is essentially a second-rank figure.

As the military and police continued to confiscate aircraft and drug traffickers' properties all over Colombia, the mystery of the cocaine kings's whereabonts generated rampant speculation: they are "known" to be in Nicaragua, Panama,

Brazil - and even Colombia.

The impossibility of controlling long, uninhabited jungle boarders in the Amazon, the empty swamplika terrain between Colombia and Panama, and extensive coastlines on both the Caribbean and the Pacific make a frontier capture unlikely. The traffickers are, after all, experts at avoiding customs checks, and, in spite of the dozens of helicopters and yachts they have lost, they must have kept getaway vehicles.

Authorities in Brazil, Ecuador, Peru and Venezuela have been alterted, particularly as the Colombian cartels have strong links with all these countries, and could well have established emergency boltholes in them. But the police are still following leads inside Colombia, too.

One significant test of the Government's crackdown is the fact that the hlack market exchange rate has topped the official exchange rate for the first time in years: dollars are not as freely svailable as usual. If shipments are held np because of the confusion caused in the cocaine industry, prices should start to climh in the US.

Apart from Eduardo Martinez and whispers of another second-ranking trafficker, no other "extraditables" have apparently been taken among the 11,000 or so arrested in the last few days.

The fate of the Government's decrees on extradition and confiscation is still uncertain.

Some judges who resigned in protest at the murder of colleagues are still working, while others are on strike. They say that the measures carry no guarantees for their work, and that the risks may even increase when decisions have to be made on detainees and confiscated property.

In addition to this, the Supreme Court will have to rule on the constitutionality of the state-of-siege decrees, once again forcing judges to face responsihility for supporting extradition.

Jail for Drexel 'pawn'

By **Anatole Kaletsky** in New York

MS LISA JONES, a trading assistant at Drexel Burnham Lambert convicted of perjury in March, was jailed for 18 months by a US district judge yesterday.

The prison sentence was widely expected after Ms Jones was found guilty on five counts of perjury and two of obstruction of justice for lying to a Federal grand jury investigating allegations of insider trading by Drexel employees, including Mr Michael Milken, the firm's former head of high-yield "junk" bonds.

Nevertheless, the length of Ms Jones's sentence and the fact that none of it has been suspended will shock Wall Street.

As a small pawn in the Drexel operation, Ms Jones's plight aroused public sympathy. The prosecution never contended that Ms Jones's false statements, which gave misleading accounts of the trading practices of more senior Drexel employees, were motivated by any hopes of personal gain.

Her 18 monthe in prison, which will served in a minimum security camp in Arizona, compares with the three-year sentence meted out to Mr Ivan Boesky, the hugely wealthy arbitrageur whose arrest in 1986 set off the huge insider trading inquiry.

In a separate development, it was reported yesterday that the Government would allow Drexel Burnham to pay Mr Milken $100m in compensation for his last year of employment with the firm.

Such an agreement would remove one of the last remaining obstacles to a formal settlement of all the criminal charges against Drexel. In its original settlement negotiations, the Justice Department was understood to have insisted that Drexel could not pay Mr Milken and simultaneously plead guilty to allegations of criminal conduct by Mr Milken while he was working for the firm.

Noriega blamed for breakdown in elections

An Organization of American States (OAS) effort to bring about a democratic transfer of power in Panama failed because Gen Manuel Antonio Noriega refused to consider any formula under which he would retire as commander-in-chief, according to a Panamanian opposition leader, AP reports from Washington.

Mr Ricardo Arias Calderon told a news conference that OAS mediators made a last-minute attempt over the past few days to achieve a solution.

"The basic result . . . was to prove beyond any doubt that the one issue that remained unresolved from beginning to end of the negotiation was essentially General Noriega," he said.

"At no point did the representatives of the regime consider any formula under which General Noriega would retire from his position as commander-in-chief.

"He now holds the Panamanian people as hostage".

Dramatic curtain-raiser for US campaign

Lionel Barber explains why there has been confusion over a "request" for troops

COLOMBIA'S *crackdown* against the Medellin cocaine cartel has provided a dramatic curtain-raiser for President George Bush's soon-to-be-unveiled national strategy to combat drug abuse in the US.

In two weeks time, on September 5, Mr Bush is set to reveal the strategy in the first televised address of his presidency. Yet, until some brief remarks to reporters yesterday, Mr Bush has remained typically cautious in his response to events in Colombia.

This may be prudent, since the leading members of the Medellin cartel appear to have escaped the crackdown. Moreover, the Colombian government promised re-instatement of an extradition treaty between the two countries is only just about to be put to the test, through the expected deportation of Eduardo Martinez Romero, a middle-ranking cartel financier, who is to face trial in the US.

But Mr Bush's caution has led to a series of confusing statements about US policy, notably on whether the Bush administration is prepared to send US troops to the aid of President Barco's beleaguered regime. It has also allowed other administration figures – notably Mr Richard Thornburgh, US Attorney General – to jump into the limelight in the absence of clear direction from the White House.

It was Mr Thornburgh who first dropped hints over the weekend that the US would respond favourably to a request for military aid from Colombia, including US troops. His comments aroused a wave of speculation, forcing a series of half-denials from an administration more concerned about addressing its own domestic audience than its allies in the Western Hemisphere.

As one official explained: "Thornburgh was asked whether he would examine seriously a request for troops. No one in this administration could give a definitive 'No' given the level of concern out there about drugs in this country."

Responsibility for the confusion is also due to the expectations built up by the media which is characteristically febrile in the slow news cycle of August. This week, US press and television reports have offered a vivid picture of the private opulence of the narco-traffickers in Colombia; for the more gung-ho reporters, the next obvious follow-up story would be the dispatch of the 82nd Airborne Division to Bogota to finish the job.

The US public watches drug-related violence and deprivation paraded across its television screens every night, and feels a pervasive sense of helplessness. Above all, the public pressure – as reflected in an editorial in the New York Times yesterday – has been for the Bush administration to do *something*. This usually takes the form of calling for an increase in the amount of aid to Colombia to combat drug traffickers, currently $10m, or sending more material snch as helicopters to blast the narco-traffickers coca crops.

Mr Thornburgh responded to this climate of expectation on Tuesday evening by producing a "Dozen Most Wanted" list of 12 suspected leading members of the Medellin cartel. The list, he said, was being forwarded to the Colombian government. It was a largely symbolic gesture: the Colombians are well aware of US indictment against the 12 men who are now presumed in hiding.

More salient questions about US drug policy remain, despite the publicity this week. These begin with the administration's willingness to treat drug abuse as a health rather than solely a law-and-order problem; they include, too, the ability of the numerous agencies charged with combating drug trafficking to share and exploit information. One of the most sensitive – and still unresolved – disputes is whether the Central Intelligence Agency can be "tasked" by other agencies to track the traffickers' activities.

Above all, the crackdown in Colombia and the attention paid to the nefarious activities of a dozen members of the cocaine cartel obscures the issue which Latin American countries insist is the most pressing: the continuing voracious appetite of the American public for illegal drugs.

BAVARIAN *state police have seized abont 650 kg of high-grade Colombian cocaine in the largest such haul this year in Europe, AP reports from Munich.*

Mr Karl-Heinz Lenhard, chief of the Bavarian Criminal Office, said the Medellin cartel was linked to the shipment. The drugs, discovered on Tuesday in a lorry in the Schwabing section of Munich, had a street value of at least DM 200m ($106m).

"The cartels have shifted their strategy toward Europe because of increased anti-drug activity by the United States," Mr Lenhard said.

Martinez: faces US charges

Brussels steps up appeal for peace in Lebanon

By George Graham and Andrew Gowers

THE European Community yesterday launched a "pressing appeal to all parties" for a ceasefire in Lebanon amid fears of confrontation between pro-Syrian forces in Lebanon and a French naval force assembling off the coast.

The joint statement by the 12 EC foreign ministers, issued following a meeting of foreign ministry political directors in Paris on Monday, called for an "end to all firing and shelling on land and at sea", as well as to the blockades of Lebanese ports, but made no mention of the French naval build-up.

This has provoked threats from pro-Syrian Lebanese militias, which accuse France of siding with Maj Gen Michel Aoun, the Christian army commander, against Syria. It is also viewed with consternation by some of France's EC allies, none of which has shown a similar desire to become involved in the latest Lebanese crisis beyond offering verbal support for Arab League mediation efforts.

The ministers have agreed to despatch a fact-finding team to gauge Lebanon's aid requirements. This is seen as a holding operation with the aim of showing support for France's humanitarian concern over Lebanon but skirting the controversy over its naval build-up.

The French flotilla, which officials say is designed to provide humanitarian aid as necessary, currently consists of six vessels, including the aircraft carrier Foch. Mr Jean-Pierre Chevènement, the French Defence Minister, said last night that the frigate Duquesne, despatched last week, and the petrol tanker Var would be recalled to base, and the light escort vessel Estienne d'Orves would be withdrawn from the immediate vicinity of Lebanon.

But two other ships, a fast missile carrier and a landing craft transporter, are making their way to join them from ports on the Atlantic coast.

In Beirut, the pro-Syrian Lebanese militias – which have been involved in fighting with Gen Aoun for five months – condemned the French build-up and said they would treat the flotilla as a military target. The French naval presence has also provoked threats from pro-Iranian groups against the lives of two US hostages.

France, which is president of the EC for this half-year, defended its decision to despatch the warships. President François Mitterrand said that "no country and no group can dictate to France what it should do about Lebanon," and insisted that the fleet was not on a military mission.

In Damascus, Mr Gennady Tarasov, the roving Soviet Middle East envoy, has been holding talks with Syrian leaders aimed at finding a way out of the crisis. France has repeatedly appealed to Moscow to try and persuade its ally Syria to exercise restraint.

Indians find conspiracy case compulsive watching

David Housego and R.C.Murthy on allegations of links between business, politics and crime

INDIA has been gripped in recent weeks by revelations in an extraordinary case of conspiracy to murder which involves Reliance Industries, one of its best known corporations, and sheds light on links between business, politics and crime.

Mr Dhirubhai Ambani

The news yesterday was that the Central Investigation Bureau and the Bombay police are jointly to handle investigations into the alleged plot to murder Mr Nusli Wadia, the head of Bombay Dyeing, embroiling Reliance, which is controlled by the Ambani family. Investigations had been halted for some days by a dispute over which body had jurisdiction in the case.

Police have arrested (and subsequently released on bail) Mr Kirti Ambani, 48, a senior manager of Reliance, and Mr Arjun Barbaria, 32, a small-time racketeer with connections in Bombay's underworld. Mr Kirti Ambani (no relation to Mr Dhirubhai Ambani, the head of Reliance) is accused of organising through Mr Barbaria "contract" killers to eliminate Mr Wadia.

Bombay police claim to be holding a pistol belonging to one of the conspirators, plans of the roads to Mr Wadia's house and incriminating tape recordings among other evidence. Mr Dhirubhai Ambani has called the charges a "frame-up" and sees the timing as intended to damage the launch next month by Larsen and Toubro, the engineering group he recently acquired, of India's largest corporate bond issue.

The Ambanis preside over a fast-expanding conglomerate with interests in petrochemicals, engineering and textiles, and assets of Rs 38bn (£1.5bn), putting it in the top three Indian industrial groups. By contrast Bombay Dyeing, a textiles and chemicals company, has assets of Rs 3bn. After a stroke three years ago, Mr Ambani appeared to have mellowed and pursued a policy of live and let live in business.

The political aspect of the case comes in because of Mr Ambani's close links with the administration of Mr Rajiv Gandhi, the Prime Minister. At the request of the state government, responsibility for the case was transferred from the Bombay police to the investigation bureau, headed by Mr Mohan Katre, who is alleged by the opposition to have soft-pedalled inquiries into the Bofors scandal as well as other charges against Reliance over licensing and foreign exchange.

Though the Ambanis are said to have benefited from having the case transferred to the bureau – now as a result of a legal ruling to be assisted by the Bombay police – Reliance could suffer from the Government taking its distance from the group. Banking sources believe the Government prevented Larsen and Toubro from allocating Rs 1bn of convertible debentures to the International Finance Corporation, a World Bank affiliate – thus reducing the size of the new capital issue to Rs 8.2bn. Reliance denies there is any link between the case and the size of the capital issue.

Saras Chemicals, a distributor for Reliance and other Indian chemical groups, has denied that it has any connection with Mr Umesh Katre, the son of Mr Mohan Katre, head of the Indian Criminal Investigation Bureau (CBI). The denial follows allegations in the Indian Express – reported in the Financial Times on Monday – of business links between Mr Mohan Katre and Reliance through his son's interest in Saras.

Saras says that Mr Umesh Katre has been a friend for 15 years of Mr Kamlesh Shah, chief executive of Saras. Mr Shah had allowed Mr Katre, who has recently started his own business, to use his office on a friendly basis. The two had agreed according to Mr Shah to attend to the telephone calls or visitors of each other whenever necessary.

In its letter to the Indian Express, Saras says the total commission earned by Saras and a partner company, Modern Chemical, from Reliance has been Rs59,079.08 (£2,272). The Indian Express alleged that Saras had received commissions of Rs5.4m.

Mr Dhirubhai Ambani, 56, has been pitted against Mr Wadia, 45, for more than a decade. The two men could not be more of a contrast. Mr Ambani is a first generation entrepreneur, who was long considered a pariah by the Bombay business community.

Mr Wadia, a British passport holder fighting a legal battle not to be deported from India because his entry visa expired on July 12, comes from the elite Parsi community. His maternal grandfather was Mohammed Ali Jinnah, the founder of Pakistan.

The quarrel began over rival industrial ambitions. Reliance was for some time a leading producer of polyester and thus able to influence its price because of heavy duties on imports. Bombay Dyeing tried to break into the petrochemical chain by putting up a plant for making di-methyl terephtalate (DMT) – a feedstock for polyester.

For a long time it failed to get a licence – allegedly through Reliance's influence in New Delhi. When the plant did open in 1984, Reliance's success in outmanoeuvring pressures on it to buy DMT from Bombay Dyeing contributed to the plant closing down in 1986.

Mr Wadia is a close friend of Mr Ramnath Goenka, publisher of the opposition Indian Express, and possibly has helped it financially. The Express, backed by Mr V.P. Singh, then Finance Minister and now opposition leader, launched inquiries into Reliance's financial affairs that brought it close to ruin.

According to the police, Mr Kirti Ambani approached Mr Barbaria in November last year over arranging the killing of a big businessman. The plan was allegedly to block Mr Wadia's car when he emerged from his house and shoot him.

The company dismiss the case as a fabrication, saying there was no reason to try to kill Mr Wadia. It says there is no solid evidence to link Mr Kirti Ambani to Mr Barbaria and that the latter's so called "confession" would not stand up in a court of law.

The Ambanis believe Mr Wadia has chosen to attack Reliance through the Indian Express instead of challenging them on the ground of competition – technology, marketing or shareholder support.

Peking hardliner in call for wider purge

By Colina MacDougall

A SENIOR hardline Chinese leader has made a new call to widen the purge of party leaders and charged that "quite a few" party members were "instigators, plotters, organisers and commanders" of Peking's democracy movement which the army suppressed in early June.

Zhao: sacked in June

At the same time he stepped up the campaign against reformist party leader Zhao Ziyang, sacked in June for his alleged role in encouraging the movement, bringing nearer the day when he could be brought to trial for supporting a "rebellion."

Song Ping, 72, who was elected to the ruling Politburo Standing Committee in June when Zhao was dismissed, told a conference of provincial officials that the party "must resolutely dismiss from leading posts those who practise or tolerate bourgeois liberalism (Peking's codeword for western ideas) and make a thorough inspection of ideology and behaviour of leading cadres," the official Xinhua News Agency reported yesterday.

Song referred directly to the sacked party leader, noting that he "made the mistake of supporting the turmoil" in Peking and was "unshirkably responsible for its shaping and developing." He also noted that the instigators and plotters included those who had been party members for several decades and held important posts and named the research centres and institutes, which Zhao used informally as his thinktanks.

Last week Yuan Mu, spokesman for China's State Council (effectively the cabinet), said that Zhao might face criminal charges "if he was found to have participated ... or plotted or instigated the (democracy) movement behind the scenes." While Song Ping was careful not to accuse Zhao directly of doing so, his reference to "instigators and plotters" echoes Yuan Mu's words.

In recent weeks the Chinese press has criticised Zhao's "mistakes" with growing severity, suggesting a rising demand among hardliners to see him and his supporters totally purged to secure their own position before Deng Xiaoping, the supreme leader, who is now 85, departs from the scene.

Breakneck progress turns S Korea green

Maggie Ford looks at the issue which has finally produced rare unity in Seoul

It goes without saying that a country where the police force routinely dumps tons of toxic tear gas on rioting university students, who retaliate with firebombs, is not an environmentalist's dream.

Bustling Seoul: progress and environment in conflict in S Korea

Add to that 25 years industrialisation at breakneck speed, backed up by the world's highest percentage of nuclear power generation, and it is perhaps not surprising that South Korea is turning a distinct shade of green.

For perhaps the first time in its modern history, both the Government and the public appear to be concerned about the same issue in the same way at the same time.

The concern ranges over a broad spectrum. Public worry focuses on fears about contamination and disease at nuclear power plants, on the regulation of pure water supplies and the protection of food from pesticides.

The Government has recently made announcements about restrictions on chlorofluorocarbons (CFCs), which affect the ozone layer, drift net fishing in the Pacific and sewage and air pollution. Both sides agree that something must be done about the traffic problem.

A series of incidents have inspired the wave of concern about the environment, ignored for years in the rush for rapid development.

The Government acted quickly to allay fears about nuclear contamination after a series of allegations involving families of workers at nuclear power plants. Two deformed foetuses were said to have been aborted by the wife of a nuclear worker and a high incidence of diseases such as leukaemia was reported near two plants.

The Korea Electric Power Company (Kepco) has sent medical teams to the plants to investigate the claims and Government officials have agreed to provide medical checks at several top hospitals for workers concerned about their health.

South Korea generates the largest percentage of its total power from nuclear plants of any country in the world and has a total of 11 nuclear plants either in operation or under construction.

A National Assembly committee is shortly to open an investigation into recent revelations that piped water supplied to most South Korean households is contaminated with heavy metals. Opposition leaders are likely to press for more budget spending on water purification and sewage facilities.

President Roh Tae Woo, at a Cabinet meeting this week, announced that the Government is to build 84 new sewage disposal plants by 1996 and that laws on industrial waste disposal were to be strictly enforced.

Although officials have moved fast on the water issue they were unable to stop a food scare last month which almost provoked a trade dispute with the US. Rumours about the presence of alar, a chemical used to produce growth in apples, on imported US grapefruit caused an immediate collapse in sales.

Although the rumours were found to be untrue shoppers are still wary and concern about food testing is growing.

Officials at the Environment Administration, who have been accused of withholding information, have recently attempted to mend their image. They have announced a plan to erect large electronic air pollution indicators in big cities.

The signboards will show the incidence of sulphur dioxide, dust and ozone in the air and are designed to heighten public awareness of the problem.

The administration believes that air pollution is largely caused by the use of coal for domestic heating and car exhaust emissions. Greater wealth has meant that more than 700 new cars a day are being registered in Seoul alone.

The Government has also stepped up efforts in the international arena on the environment. At the end of this year South Korea is expected to sign the Montreal Protocol on the restriction of production of CFCs.

The pact, adopted by 31 advanced industrial countries in 1987, restricts imports of items involving CFCs by member countries from those nations who are not party to the agreement.

South Korea, which is building a new CFC plant, but is also developing alternatives to CFCs, has requested an easing of the restrictions along with a number of other developing countries.

The Government also moved recently to respond to criticism over the use by fishermen of drift nets, which have angered South Pacific countries because they snare dolphins and other sea creatures and haul in enormous catches.

South Korea, unlike Japan and Taiwan, has banned their use by fishermen in the South Pacific, though sceptical diplomats believe that the ban will be unenforceable and the fishermen will simply move elsewhere.

Perhaps the most unusual feature of the outburst of green sentiment has been a proposal announced by the ruling Democratic Justice Party. The party suggested last week that an East Asian ecological body should be set up including China, Taiwan, Hong Kong, North and South Korea and Japan.

The body would monitor development along coasts in the region, especially China, to reduce pollution caused by development. It would also focus on the future of the demilitarised zone between the two Koreas.

Although the proposal may be mainly politically orientated, the Government is clearly well aware of the curious status of the DMZ, a three mile wide strip of land which runs across the Korean peninsula.

Virtually free of human activity, and certainly without industry for 35 years, the area may be one of the most ecologically unspoilt pieces of potentially accessible land on earth. An area of psychological rather than physical military tension, it is an important north east Asian bird sanctuary.

South Korea has yet to establish a green political party or indeed even a widely supported consumer movement, and it remains to be seen how much serious attention the Government will pay to the environment in the longer term.

But if environmental concern is the sign of admission to the advanced group of nations, South Korea may now be said to have paid its entrance fee. Whether the country eventually judges that the cost of its fast development was too high only time will tell.

S Korean bank wins concessions from Seoul

By Maggie Ford in Seoul

A LONG-RUNNING dispute between the Bank of Korea, the South Korean central bank, and the Ministry of Finance entered a new phase yesterday with the publication of a draft law governing the bank's independence.

Mr Lee Kyu Sung, the Finance Minister, is to present the draft to the National Assembly for ratification later this year. But is clear that the struggle by the bank for autonomy from the ministry has not ended.

The argument centres on issues relating to the type of financial system South Korea should have as it becomes a developed country.

Bank officials regard it as essential that they have control of monetary policy, to prevent inflationary manipulation for political reasons, and of the supervision of the commercial banking system.

The Government appears to have made some concessions under the revised draft law. It proposes that the governor of the bank would be appointed directly by the South Korean President, rather than on the recommendation of the ministry. The governor, not the Finance Minister, would be chairman of the Monetary Board, which sets policy.

The Office of Bank Supervision, which is technically an arm of the bank but is controlled by the Ministry of Finance, would have its directors appointed by the President.

The revised law would leave authority to license new financial institutions with the ministry, but enable the bank to decide matters such as new branches and plans for raising capital.

Vietnam 'may help Cambodia'

VIETNAM, due to pull out the last of its forces out of Cambodia next month, might send troops back if requested by Phnom Penh, Mr Nguyen Co Thach, the Vietnamese Foreign Minister, said yesterday, Reuter reports from Bangkok.

"The Cambodian government has a right to call friends to give assistance and we have the right to respond or not to respond to that," he told reporters on his way to talks in Paris on ending the decade-long conflict in Cambodia.

General Tie Banh, the Cambodian Defence Minister, said last week his government, established after a Vietnamese invasion in 1979, might call for Vietnamese forces to return if threatened by Khmer Rouge guerrillas.

Mr Thach said a solution to the deadlocked talks depended on finding a mechanism to ensure the Khmer Rouge leadership did not return to power. Nineteen nations will be represented at the talks which end next Wednesday.

Sri Lanka deaths

At least 70 Sri Lankans were killed in 24 hours and many of their bodies were found charred beyond recognition, dumped in pits or at the roadside, military sources said yesterday, Reuter reports from Colombo. The death toll marked a sharp increase on previous average daily killings reported by the military and suggested further intensification of the war between the government and left-wing Sinhalese rebels.

Saudi crude oil sales up 14.4%

By Finn Barre in Riyadh

SAUDI ARABIA'S crude oil sales increased by 14.4 per cent to SR76.5bn (£13bn) last year, although the kingdom's gross domestic product rose by just 3 per cent, the Saudi Arabian Monetary Agency (Sama) reported yesterday.

The agency's annual report said that Saudi revenue was SR104bn, compared with a projected revenue of SR116bn. Projected expenditure was set at SR141bn.

Sama did not state how much money was spent during the year. According to the 1988 budget, the kingdom was expected to finance the budget deficit through SR25bn of borrowing – the first official borrowing in more than two decades.

Wheat and petrochemicals were factors behind a 32 per cent increase in non-oil exports, whose total rose to SR10.4bn.

Agriculture output rose 16.4 per cent in 1987, compared with a growth of 15 per cent in 1986 (its statistics are a year behind petroleum statistics). Wheat production was 2.7m tons, a 15.9 per cent increase. Barley production rose 34 per cent to 162,000 tons, vegetable production rose 2.7 per cent to 1.1m tons, while fruit production rose 3.1 per cent to 600,000 tons.

The Saudi Basic Industries Corporation (Sabic), which has founded downstream petrochemical, plastic, fertiliser and steel industries, also boosted production. In 1987, it sold 8.2m metric tons of material, earning SR1.1bn profit, an increase of more than 381 per cent.

Production of refined petroleum products, including lubricating oil, rose to more than 500m barrels in 1987. Production of natural gas rose 18.8 per cent to 149.6m barrels.

Sama stated that the kingdom's 12 commercial banks increased capital and reserves by 2.9 per cent to SR13.5bn. Foreign assets held by the banks increased 18 per cent to SR102.2bn.

Suharto to visit Moscow

By John Murray Brown in Jakarta

PRESIDENT Suharto of Indonesia is to make his first visit to the Soviet Union next month in what is seen as part of a diplomatic initiative by the leader of the world's fifth largest country.

The visit, which officials said would be concerned with economic issues, is clearly aimed at re-establishing the non-aligned position in foreign policy pursued by Indonesia since General Suharto's New Order regime came to power in the mid-1960s after crushing a left-wing attempted coup.

Before going to the Soviet Union, President Suharto is due to attend a meeting in Belgrade of heads of state of the Non-Aligned Movement, which Indonesia's first President Sukarno helped to found.

Indonesia has been canvassing support for its attempt to chair the Movement when the position becomes vacant in 1992.

Among the Asean group, which comprises Indonesia, Thailand, Malaysia, Singapore, Brunei and the Philippines, Indonesia has been seen as the least hostile to Soviet overtures in the region.

But given the virulently anti-communist policies of the New Order regime, it is unlikely the Moscow visit will signal a big shift towards the Soviet bloc.

Tutu caught by tear gas

POLICE fired tear gas yesterday at thousands of anti-apartheid activists, including Archbishop Desmond Tutu, as political unrest worsened in black and mixed-race townships outside Cape Town, AP writes from Cape Town.

Several columns of black smoke from burning street barricades could be seen across the densely populated Cape Flats, northeast of the city centre. Police headquarters reported clashes between officers and stone-throwing crowds in at least seven communities.

The unrest has continued almost unabated for more than three weeks, coinciding with the launch of a nationwide defiance campaign organised by anti-apartheid groups.

Archbishop Tutu, leader of the Anglican Church in southern Africa, tried to mediate between police officials and protesting youths in the black township of Guguletu.

The Archbishop had persuaded the youths to call off a march from a high school to a police station, and instead arranged for a small delegation to go to the station to demand the release of detainees students and teachers.

But police fired tear gas at Archbishop Tutu and a white opposition member of Parliament and hundreds of other people as they emerged from a church where the Archbishop had been reporting on the latest developments.

Glacier combatants refuse to be beaten by the cold

By Christina Lamb on Siachen Glacier

INDIA and Pakistan are supposed to be at peace. But while their prime ministers exchange smiles at public functions, in the uppermost uninhabitable reaches of the Himalayas a war is raging between the two countries.

For the last five years their men have been fighting in conditions no army has experienced for such a length of time. They are at sub-zero temperatures and breathing air containing less than half the normal oxygen content.

At 19,000 ft. the Siachen Glacier is the world's highest battlefield, surrounded by peaks of some 22,000 ft, including K2, the world's second highest mountain. Only the best mountain climbers reach such heights and the air is so thin the slightest action leaves one dizzy and breathless, as Mrs Benazir Bhutto, Pakistan's Prime Minister, discovered when she visited frontline positions on Monday.

Lt Col Farooq, who controls the fleet of helicopters which act as a lifeline between Siachen and the rest of Pakistan, says: "We are conducting a war where the soldiers must rest after every four steps."

For six months of the year the area is almost entirely cut off, with blizzards and temperatures of -60C making even helicopter travel impossible. Casualties are thought to number thousands, though neither side releases figures. Pakistani officers say two-thirds are caused by the climate. According to a battalion doctor, the most serious problem is suffocation, the altitude causing lungs to fill with blood and fluid.

Because of the difficulty of walking, let alone carrying arms and ammunition at such altitudes, most of the fighting consists of shelling or rocketing each other's positions. The day before Mrs Bhutto's visit, the Indians had fired 11 artillery shells and five rockets. This is "light" according to Gen Imran Ullah, the corps commander.

The cost to both sides is immense. Pakistan has deployed 4,000 troops and spends between Rs 1bn-2bn (£30m-£60m) a year, while India is thought to spend Rs 3bn-4bn and has higher casualties because its men are on higher peaks and further from a hospital.

Both governments want to end the dispute but neither can afford to be seen as selling out when it comes to dividing the mountain area. Each claims Kashmir, though a ceasefire line drawn in 1949 puts around one-third in Pakistan, the rest in India.

Fighting began on the 75 km-long glacier in 1984 when India deployed troops on two important passes of the Saltoro range. Pakistan became suspicious when India began displaying the area as Indian on maps and Islamabad sent in troops to find that India had already occupied 1,000 square miles. Pakistan has never recaptured the area despite a large-scale attempt in 1987.

The most recent operation in May, on the Chumik glacier, cost many lives and raged for a month, with no strategic gains. At the Ghyari base near the foot of the Bilafond pass, leading to Siachen, slogans painted on rocks proclaim "Kill Them All" and "Never Give Up".

But no matter how long this war goes on, it seems the final victor can only be the weather.

Talks aim to end Indo-Nepal row

WAYS to end the four-month-old impasse in Indo-Nepal relations are to be discussed when Mr P.V. Narasimha Rao, Minister for External Affairs, meets Mr S.K. Upadhyaya, his Nepali counterpart, tomorrow at Kathmandu, writes K.K. Sharma.

This will be the first high-level meeting since their trade and transit treaties lapsed at the end of March. Trade has been at a virtual standstill since and relations are strained.

At the root of the strained relations is Nepal's attempt to improve relations with China, from which it has bought anti-aircraft weapons and has given imports preferential treatment.

Swapo admits torture charge

THE South-West African Peoples Organisation yesterday acknowledged it had tortured political prisoners and invited foreign observers to verify its claim that all such detainees now were free, AP writes from Windhoek.

Mr Hidipo Hamutenya, Swapo information secretary, said the movement for the first time would allow officials from the International Red Cross, Amnesty International and the United Nations to inspect sites in Angola and Zambian where dissidents and suspected spies were detained.

Such organisations have for years been denied access to the camps despite repeated requests to visit.

WORLD TRADE NEWS

Mitsui denies offer to Iran of $1.25bn compensation

Robert Thomson in Tokyo

MITSUI, the Japanese trading house, has denied Iranian government claims that the company has offered $1.25bn (£791m) in compensation to withdraw from the trouble-prone Bandar Khomeini petrochemical plant joint venture in Iran.

Iranian officials had said that the offer was rejected as insufficient, but a Mitsui spokesman said yesterday that no such offer had been made. A compensation package was being discussed, but the final figure would be well below $1.25bn.

The Mitsui official said: "We are a private company, not a government, and we are not even thinking about paying that sort of money. I don't know why that comment was made.

"We are continuing discussions with Iranian officials and another meeting will be held in the near future, but the figure is groundless," he said.

Japan's Ministry of International Trade and Industry (Miti) also denied that a compensation offer had been made.

The National Petro-chemical Company of Iran and the Mitsui group signed a joint-venture agreement for the construction of the plant 17 years ago, and construction work by the Iran-Japan Petro-chemical Company began in 1973. Work was disrupted by the Iranian revolution in 1979, and then by the Iran-Iraq war, when the site was bombed and severely damaged.

Construction, about 80 per cent complete before the bombings, has been suspended since 1984. In July last year, Mitsui formally declared that it would not continue with the project, and the partners began discussions on the terms of the company's withdrawal, although the Iranian Government insisted that construction work restart. Mitsui is keen to get

Mitsui believes it unlikely that S Korean companies could replace it in the Iranian deal

Japanese government compensation of around Y166bn (£74m) for losses incurred on total loans and investment of about twice that figure.

But a Miti official said that the claim would not be considered until the company reaches agreement with the Iranian authorities.

The Japanese company considers it unlikely that South Korean companies could afford to replace it as Iran's partner in the deal, as the Iranian news agency reported this week. The Mitsui official said that the Seoul Government would have to subsidise any South Korean proposal because the project is not viable.

Miti officials have indicated that an independent assessment will probably need to be made of the site in settling both the Iranian and Mitsui claims for compensation. Last October, a survey group from the Iran Chemical Development Company, fully owned by the Mitsui group, was sent to the complex to assess the damage.

The company has also suggested that engineering teams representing Japan and Iran conduct another investigation, and it presumes that the findings will support its claims that the project is still hopeless.

Members of the Mitsui group are keen not to alienate Iran entirely, as they believe that further business opportunities will arise in the country's reconstruction.

The disputed comments were sourced in Iran to the country's ambassador to Tokyo, Mr Hussein Adeli.

He indicated that Mitsui executives would soon be visiting Tehran to finalise the compensation agreement.

However, the Japanese company suggests that Mr Adeli knows his statement is not true and that it was probably made for "political reasons".

Soviet warning on Japan trade

A SOVIET official complained yesterday that trade with Japan was developing too slowly and that he hoped a Moscow meeting would solve some of the problems, Reuter reports from Moscow.

Tass, the official news agency quoted Mr Vladislav Malkevich, chairman of the Soviet Chamber of Commerce and Industry, as saying that Japan had not replied to overtures for long-term trade and investment accords. Mr Malkevich told a meeting of the Japan-Soviet Business Co-operation Committee that Japan lagged behind in setting up joint veotures and other economic cooperation with Moscow.

Although bilateral trade had risen to top 3bn rouhles ($4.8bn) last year, Japanese imports sbowed practically no structural improvement.

Japanese piano makers to stop using ivory keys

THE WORLD'S two biggest manufacturers of musical instruments said yesterday they would stop buying ivory for their piano keys because of public pressure to protect elephants, Reuter reports from Tokyo.

"It's regrettable that we have to stop using ivory, but we have already developed a replacement from plastic that is not inferior to ivory in function," said a spokesman for the Yamaha Corporation, the world's leading maker of musical instruments.

Yamaha will start using plastic after it clears its ivory stocks in about a year. It used 700kg (1,500lb) of ivory last year to make 350 luxury pianos costing more than Y2.73m (£12,350) each.

Such pianos accounted for only 0.2 per cent of Yamaha's production, the spokesman said.

The Kawai Musical Instruments Manufacturing Company, the second largest maker, has also stopped importing ivory for use in piano keyboards, a company spokesman said.

Last year it used 300kg of ivory to make 800 luxury pianos, which accounted for 1.6 per cent of its production.

Kawai plans to use ivory only for its most expensive model, priced at Y7.4m, of which it makes only 30 per year. It has enough ivory stock to make the model at that rate for more than 10 years, the spokesman said.

Yamaha and Kawai already use plastic keys for most of their pianos.

S Koreans braced for Scotch at £30 a bottle

By Maggie Ford in Seoul

SOUTH KOREANS will soon be able to buy bottles of Scotch whisky bottled in Scotland for the first time, following the Government's agreement to move towards opening the market.

Although they are likely to cost as much as £30 each, demand is expected to be strong. Free imports of Scotch are expected to add almost 25 per cent to the total value of UK exports to South Korea next year.

At present imports of whisky bottled in Scotland are restricted by a quota set at 15 per cent of total whisky sales last year. But in January next year, the quota will be removed. Sales next year are estimated to reach £100m.

The South Korean drinks market has been strongly protected from imports for many years. Scotch was imported in bulk under a quota and bottled in the country with three local labels. Bulk sales in 1988 were worth £13m.

Since the quota on bulk Scotch imports was lifted at the beginning of this year, sales jumped to £11m in the first six months. Two of the main Scotch whisky exporters – United Distillers Group and Seagrams – have formed joint ventures with South Korean drinks groups Jinro and Oriental Breweries, both of which run bulk Scotch bottling operations.

A three-level market is expected to develop, with premium Scotches such as Chivas Regal at the highest price, other whiskies such as Johnny Walker Red Label at medium price, and locally bottled Scotches a little cheaper.

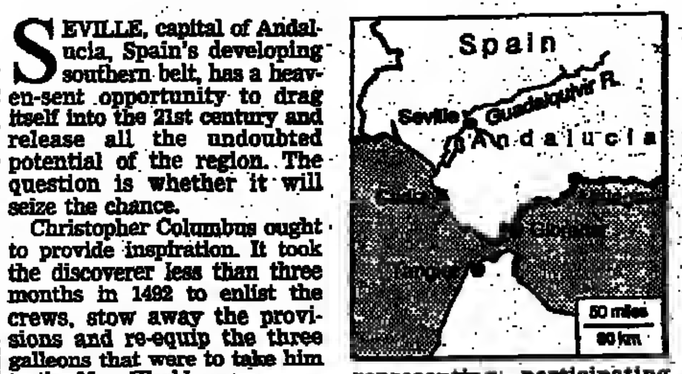
Most of the sales are expected in nightclubs and expensive restaurants, where a price of £30 may not be such an important criterion for a customer's choice as the need to impress. Scotch sales to the general public may be more difficult to develop. Imports still face a tariff of 50 per cent, a liquor tax of 200 per cent, plus other taxes

UK negotiators have complained to the Seoul Government about the treatment of Scotch compared with Cognac, where the tariff is 35 per cent

Seville prays for Columbus spirit

Tom Burns looks at plans to turn a vacant river site into Expo '92

SEVILLE, capital of Andalucia, Spain's developing southern belt, has a heaven-sent opportunity to drag itself into the 21st century and release all the undoubted potential of the region. The question is whether it will seize the chance.



Christopher Columbus ought to provide inspiration. It took the discoverer less than three months in 1492 to enlist the crews, stow away the provisions and re-equip the three galleons that were to take him to the New World.

By comparison there are less than three years to go before Seville unveils a Universal Exhibition called Expo '92, only the fourth exhibition of its kind to be held since the end of the Second World War. Lasting for six months between April and October, it expects to receive some 18m visitors.

Seville held the New World trade monopoly until the 18th century and Expo '92 will commemorate the fifth centenary of Columbus' first voyage of discovery. Hopefully some of the explorer's organising genius will rub off on those who are preparing his tribute.

The Seville event has already attracted a record number of participants and it will, it is claimed, rival in impact the exhibitions that were held in Brussels in 1958, in Montreal in 1967 and in Osaka three years later. Other world fairs, such as the one staged in Brisbane last year, belong to a smaller, second division category and are classed as Specialised Exhibitions by the Paris-based International Exhibition's Office (BIE) that controls such ventures.

But it is hard, at present, to visualise the 100-odd pavilions, representing participating nations, international organisations and multi-national companies, that come 1992 will make up Seville's Expo.

Some $583m (£368m), on current estimates, is being spent on preparing the exhibition but all that is visible right now, on a site between two branches of Seville's Guadalquivir river which is the size of London's Docklands, is a group of work cabins and half-a-dozen large cranes looming over a couple of holes in the ground.

Elaborate scale models of Expo '92 show a futuristic city linked by cable cars and monorails and set amid lagoons and landscaped gardens. A good number of the pavilions are scheduled to remain in place after the exhibition to form an office and high-tech research complex.

It is harder still to see evidence of the $7bn of government funds that have been earmarked, as a result of Expo, to improving Seville's infrastructure and Andalucia's communications with the rest of the world.

"We are at a critical stage," says Mr Jacinto Pellon, Expo '92's chief executive. "We are physically on the very limit of meeting our targets. If work does not start on projects now, right now, then they will not be completed in time."

Elaborate models at the Spanish site show a futuristic city linked by cable cars and monorails, set amid lagoons and landscaped gardens

The team working for Expo '92 likens Seville's exhibition to the one that Brussels staged. If the latter celebrated Europe's post-war reconstruction and the infant Common Market, the '92 edition will be the shop-window of the single European market. They also compare it to the Osaka exhibition in as far as Seville will, supposedly, wake up the world to Spain's economic buoyancy.

The main theme, however, is that Expo '92 will pitch Seville out of its amiable baroque indolence and tap resources in Andalucia that are there for the asking. The region, it is claimed, ought to become the California and the Florida of Europe.

Assisted by a proper infrastructure and the promotion that only a Universal Exhibition can bring, southern Spain could attract high-tech investment and should realise to the full its promising agri-business in sub-tropical and early horticultural farming. Andalucia, moreover, ought to consolidate its position as the leader of Europe's retirement and second home market.

Mr Pellon, a bulky civil engineer in his forties who measures his words carefully, says that the site area that he is responsible for is "more or less" on target. His chief concern is that they may be building a cart without a horse to go in front of it: infrastructure.

With the Universal Exhibition due to open on April 20, 1992, work has barely started, or hasn't started at all on:

- Ring road that will circumvent the historic, and labyrinth-like centre of Seville, and thus allow visitors to approach the Expo '92 site.
- Series of motorways linking Seville to Granada, to Malaga and to the Costa del Sol and to Huelva and the border with Portugal's Algarve.
- New terminal that will increase by five-fold the size of Seville's utterly inadequate airport.
- High-speed train that will cut the present six-hour travel time from Seville to Madrid by half.
- New railway station to receive the planned bullet train.

The worrying news is that the Universal Exhibition may have come and gone before the infrastructure is in place.

Expo 92's chief executive would have liked work to have started on the airport extension two years ago, but the ground for the planned new buildings has still not being broken. Likewise the high-speed train, the contract for which was awarded to France's Alsthom at the end of last year after many delays, is still in the blue print stage.

The idea that, in Latin-fashion, everything will be completed at the eleventh hour, annoys Mr Pellon. "I really dislike leaving everything to the last minute. I don't want there to be any improvisations." Nor, for that matter, did the painstaking Columbus.

Lagos and Britain sign debt deal

NIGERIA and Britain yesterday signed an agreement to reschedule at least $853m of debt – Nigeria's second bilateral deal under a $5.7bn outline agreement signed with the Paris Club last March, Reuter reports from Lagos.

Statements from both parties said the bulk of the debt, medium and long-term obligations due to Britain's Export Credit Guarantee Department, would be repaid in 10 equal half-yearly instalments from February 28, 1995, at 0.5 per cent over the London interbank offered rate.

Principal on some short-term debt will be repaid on the same basis starting on February 28, 1990. Interest payments will start on October 31 this year.

Signing for Nigeria, Mr Aliyu Mohammed, Finance Ministry director general, said the agreement covered $853m of debt.

He said five more of the 17 bilateral deals, on Paris Club debt maturing up to April 30, 1990, were almost complete.

Menem signs Brazilian food pact

BRAZIL and Argentina are set to introduce tariff-free trade in 110 new food products as part of the continuing negotiation aimed at increasing bilateral trade, Ivo Dawnay reports.

The liberalisation is intended to improve Argentina's exports in the annual $1.6bn (£1.01bn) trade between the two countries, in which Brazil last year recorded a $268m surplus.

Under the two-year-old economic integration accord, involving 23 separate protocols, 200 products are not subject to duties. Trade in capital goods has increased 600 per cent since the first agreements were signed in 1986, most favouring Brazilian exports.

President Carlos Menem of Argentina is currently on a three-day visit to Brazil, his first foreign trip since taking office, with trade relations high on the agenda.

On Monday, he signed new accords with President José Sarney of Brazil to create bilateral frontier committees to smooth out trade disputes.

BUSINESS LAW

Arbitration wins again in the US

By Leo Herzel and Maureen A. Whiteman

ON 15 MAY 1989, in *Rodriguez de Ouijas v Shearson/American Express Inc*[1], the US Supreme Court decided yet another case in favour of arbitration, making it even more difficult to evade arbitration when there is an agreement to arbitrate future disputes.

After early hostility to agreements to arbitrate future disputes, the Supreme Court now gives them strong approval.

As long as there is any ambiguity about the enforceability of agreements to arbitrate future disputes, it is likely that when the time comes to arbitrate there will be resistance in the courts by one of the parties.

No matter how advantageous arbitration may appear in advance, later, in the light of a particular dispute, one of the parties is likely to decide that litigation would have been the better option.

The *Rodriguez* case appears to be the final step in a series of decisions by the Court holding that brokerage firms may enforce standard form agreements requiring that all disputes (including allegations of fraud) must be submitted to arbitration.

The *Rodriguez* case began when a group of unsophisticated investors in Brownsville, Texas, lost more than $400,000 they had invested through the local Shearson office, allegedly because of unauthorised risky trades made by their broker to generate commissions.

Despite having signed a form agreement to arbitrate future disputes, they sued in the US District Court in Texas under an anti–fraud provision of the Securities Act 1933.

The importance the Court assigns to arbitration is underscored by its willingness to overrule a prior US Supreme Court case that was directly on point, *Wilko v Swan*[2].

The 5–4 majority found that the *Wilko* decision rested on an "outmoded presumption of disfavouring arbitration proceedings." This hostility to arbitration, the majority conclnded, "has fallen far out of step with our current strong endorsemant of the federal statutes favouring this method of resolving disputes."

The majority saw no conflicting policies between the 1925 Federal Arbitration Act which strongly favours arbitration and the Securities Act.

Two years ago, in *McMahon v Shearson/American Express*[3], the Supreme Court had ruled that arbitration agreements were enforceable in actions brought under an anti-fraud provision of the Securities Exchange Act 1934 and the federal anti–racketeering statute, RICO.

During the short period after the *McMahon* decision, brokerage customers with complaints continued trying to avoid arbitration. They would bring their cases in federal courts under the anti–fraud provisions of the 1933 Act, the route left open under the *Wilko* decision. The decision in the *Rodriguez* case removed this last discrepancy.

The US Supreme Court's support for agreements to arbitrate future disputes is now very broad. Racketearing claims under RICO, and federal securities law claims must be arbitrated when there is an agreement to arbitrate.

Other US Supreme Court decisions hold that state law claims involving interstate commerce must be arbitrated under an agreement to arbitrate, whether brought in state or federal court and that state statutes prohibiting arbitration of state law claims are pre-empted by the Federal Arbitration Act[4].

Furthermore, arguments that standard form arbitration contracts (like those used in the securities industry) are illegally coercive have uniformly failed to overturn arbitration clauses. The party attacking the arbitration clause must show that fraud pervades the making of the clause itself[5].

The *Rodriguez* decision was not unanimous. In a dissenting opinion, joined by Justices Brennan, Marshall and Blackmun, Justice John Paul Stevens ironically chided the conservative Justices in the majority for faults usually attributed to liberals. "Judges who have confidence in their own ability to fashion public policy are less hesitant to change the law than those of us who are inclined to give wide latitude to the views of the voters' representatives on non-constitutional matters," he said.

From that standpoint, the conservative Justices' willingness to sweep aside *Wilko* is even more noteworthy. The dissenters had no hard words for arbitration itself.

Five days before the *Rodriguez* decision was issued, the SEC ended a lengthy study of the widespread use of mandatory pre-dispute arbitration agreements by brokerage firms. It decided not to ask Congress to restrict the use of these arbitration agreements. Instead, it approved rule changes proposed by the New York Stock Exchange, the American Stock Exchange, and the National Association of Securities Dealers.

For deep-pocket defendants, arbitration is generally safer and more predictable than litigation. The positions taken by the US Supreme Court and the SEC make it easier to use arbitration agreements to reduce the risks and costs of controversy.

Industries that are faced with a large amount of high-risk, big-stake jury litigation with customers are particularly likely to find arbitration a desirable alternative to litigation.

As the *Rodriguez* case indicates, arbitration is already well established in the securities industry, which has collaborated to set up a uniform code of procedure and an industry-wide arbitration programme administered by stock exchanges and other self-regulatory organisations, such as the National Association of Securities Dealers.

Although to some extent the SEC monitors arbitration in the securities industry, for the most part the industry has acted independently in developing arbitration procedures. Arbitration is also common in labour disputes and in the reinsurance industry.

Foreign companies who fear jury trials in the US, banks who are faced with mammoth verdicts in lender liability suits, and accountants who often find themselves the only deep pocket left in suits over business failures are likely candidates for arbitration.

One caution is worth noting. Pre-dispute arbitration agreements can bind only parties to the agreement and their successors such as receivers and trustees in bankruptcy. They do not shield defendants from suits by third parties, including shareholder class actions. However, plaintiffs in shareholder derivative suits, like successors, are bound by arbitration agreements.

Another concern with arbitration is that while it is usually easier to avoid a large judgment in arbitration than in litigation, it may sometimes be harder to achieve complete success when defending against a legally weak claim. There is some tendency for arbitrators to ignore strict legal rules and to give the plaintiff a compromise award.

And because arbitration is less public and less costly, some customers who would not sue in court might initiate arbitration proceedings. However, these costs probably are relatively small and predictable and outweighed by the potential for huge and unpredictable damage awards by juries in litigation against a deep-pocket defendant.

While arbitration agreements can be negotiated after a dispute arises, it is much better to do so beforehand. Once there is a major dispute, the party with a likely advantage in litigation is very reluctant to give up that advantage. By contrast, before the dispute, a customer may regard arbitration as a more convenient and less costly alternative.

It is fairly simple to insert a tailor-made arbitration clause into an important agreement specifying exactly how the arbitration should be conducted. An agreement can specify which disputes will be arbitrated, how arbitrators will be selected, the timing of the arbitration and any other important procedures that should be followed.

However, anyone who expects to face many arbitrations (a bank or an accounting firm, for instance) would probably find it worthwhile to consider following the securities industry example by establishing industry-wide arbitration machinery.

(1) 49 CCH S Ct, Bull, p B2432.
(2) 346 US 427 (1953).
(3) 482 US 220 (1987).
(4) Perry v Thomas, 482 US 483, 490–91 (1987); Southland Corp v Keating, 465 US 1, 10 (1984).
(5) Prima Paint Corp v Flood & Conklin Mfg Co 388 US 395, 403–04 (1967).

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UK NEWS

Tories hail exam success as proof of high standards

By David Thomas, Education Correspondent

A SHARP improvement in grades awarded to pupils who sat this year's General Certificate of Secondary Education exam was hailed yesterday by the ruling Tory party as evidence of higher standards in the schools.

Critics of the new exam, however, said the results demonstrated it was easier than its predecessors, the O-level GCE and CSE exams. They called for an indapendent inquiry into the marking of papers for the GCSE, which was sat by 16-year-olds for the first time last year.

The results of this year's GCSE are due to reach more than 700,00 candidates in England and Wales today.

Provisional results released yesterday show 10.3 per cent of candidates received the top grade A this year, compared with 8.6 per cent last year. In 1987, only 8.8 per cent received the equivalent top O-level grade.

This year, 46.1 per cent of candidates were awarded A-C grades, compared with 42.5 per cent last year. In 1987, 39.8 per cent were awarded the equivalent grades of A-C in O-level or grade 1 in CSE.

Mr Dennis Hatfield, chairman of the joint council of the GCSE examining groups, said the improvement in grades over last year reflected a "bedding down process." Teachers and pupils were more used to the GCSE exam, administrative problems had been ironed out and difficulties over excessive coursework in some exams had been resolved.

Mr Hatfield insisted that the exam boards had not lowered their standards to achieve the better results. At the same time, he stressed thet GCSE and O levels tested different qualities.

"The GCSE set out to measure what candidates were capable of doing, rather than to penalise them for what they were not capable of doing," he said.

The overall improvement in grades, reflected in nearly all of the most popular subjects, could lead to more pupils staying on into the sixth form. Only 2.9 per cent of papers were ungraded, compared with 4.2 per cent last year.

Dr Sheila Lawlor, education specialist at the Centre for Policy Studies, a right-wing think tank, called for an independent inquiry on marking standards.

"Doesn't it look a bit like inflation? You can't have that kind of improvement of results without debasing the currency," she said.

Telecom makes final pay offer to workers of 8.8%

By Michael Smith, Labour Staff

BRITISH TELECOM, the national telephone network, has told union leaders that it is prepared to increase pay for its 150,000 staff by 8.8 per cent but that there is no more money available.

The latest offer is half a percentage point higher than the previous 8.3 per cent.

The new pay offer was made informally last week and is still being considered by the National Communications Union (NCU), which represents most BT employees and originally demanded 13.5 per cent.

News of the confidential offer from Britain's largest private sector employer will disappoint ministers who have been urging employers to hold pay offers to the inflation rate or below unless they can win productivity concessions.

If agreed, the deal could confirm 8.8 per cent as the going rate in the run-up to the start of the autumn pay round, which starts with negotiations at Ford and Vauxhall, tha motor manufacturers.

They motor industry will have a considerable impact on negotiations in manufacturing later in the year.

Reid defends Shell reaction to Mersey spill

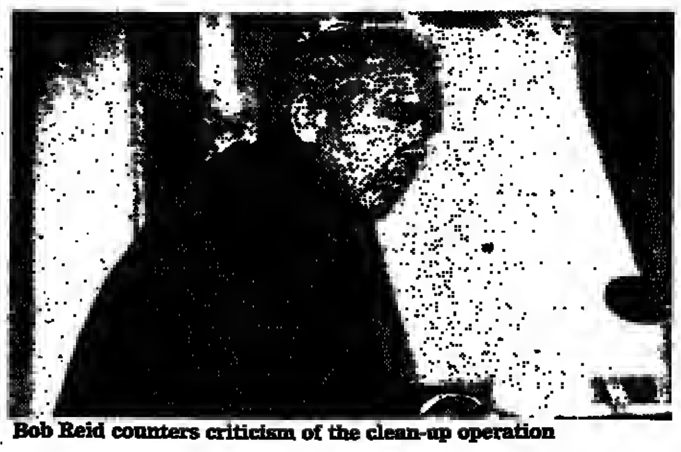
By Ian Hamilton Fazey, Northarn Correspondant

MR BOB REID, chairman of Shell UK, yesterday vigorously defended his company's actions over the leakage of 150 tonnes of Venezuelan crude oil into tha River Mersey last weekend.

In an hour-long press conference in Liverpool, north west England, he countered criticisms by local authorities and environmentalists about the speed of response to the leak in a 12-mile pipeline on the Mersey foreshore and whether it had been tackled quickly enough to minimise pollution.

Questions remain, bowever, over the cause of the leak and Shell's methods of testing pipelines. Mr Reid promised that when the cause was known, procedures would be changed if necessary.

Mr Reid did not state directly whether he was satisfied with the 29 hours it took the oil industry's Action Response Unit of pollution experts to arrive from Southampton, more than 300 miles away. Instead, he repeated his account of the speed of Shell's own response from its Stanlow refinery at Ellesmere Port on the Mersey.


Bob Reid counters criticism of the clean-up operation

Mr Reid said: "The incident happened at 3 pm. By 4 pm the leak had been located. By 6 pm a containment dam had been built around the leak and that allowed those involved to pump out of that containment in excess of 50 tonnes of oil.

"By the time high tide came, the saapage was minimal. Essentially I don't believe that could have been done more quickly."

Shell's case that the incident was an accident rests on whether it could or should have foreseen that the pipeline might fracture. The laak occurred in a 19-year-old section, although some sections of the line are 30 years old.

"An age of 19 years is not an unusual for a pipeline. Even 50 years should be OK," Mr Reid said. "The Forth Bridge has its centenary this year. When yon build things they should be able to last. What you have to do is to continuously test them. And that's what we've got to look at."

The pipeline was in welded lengths and covered with solid bitumen to protect it from corrosion. It was then encased in concrete to keep it in the river bed.

The line was tested for faults every two years by filling it with water at a pressure of just over 40 bar (560 lb per sq inch), where it was left for 24 hours to see if the pressure dropped. The last test was 16 months ago.

Mr Reid was asked if underwater pipelines should he tested more rigorously, using modern ultrasonic davices, which pinpoint structural defects.

"We were satisfied np until this incident that pressure testing was the right process. We need to find out is were we in fact missing something. Has the corrosion been faster? Is it a concrete problem? Is it a steel problem? Is there a weld problem?" Mr Reid asked.

Metallurgical analysis should provide the answers. Shell is hoping it can prove the accident was a one-off, not least because the enormous cost of switching to ultrasonic testing of all its underwater pipelines.

Environmentalists were yesterday trying to decide how to clean up the remains of the slick, which lie in a 7 ft wide ribbon on salt-marshes between Widnes and Warrington.

They may do more damage getting on to the marshes to scrape it off than leaving it to degenerate as foliage engulfs it.

The highest tide of the year is expected in four weeks' time. If the oil has not started to break up by then, the tide may lift and spread it.

British Coal to shut two Welsh pits with loss of 1,400 jobs

By Financial Times Reporter

BRITISH COAL yesterday announced the closure of two Welsh pits employing almost 1,400 people because of heavy losses and a failure to meet production targets.

The closure of the pits – Merthyr Vale in Aberfan, employing 526 men, and Oakdale Colliery, the last mine in Gwent, with 855 miners – follows close npon the announcement that Betteshanger, the last mine in Kent, is to close.

News of the most recent closures was given to miners' representatives yesterday at review meetings in British Coal's South Wales headquarters.

The Merthyr Vale miners failed in a final attempt to save the Aberfan pit when they put forward proposals to slim down the workforce hy 180 men and use private contractors.

British Coal said that Merthyr Vale had lost £1.9m this year and £7.1m in 1988. Its aggregate loss was £33m.

The Merthyr Vale miners met their production target of 8,000 tonnes of coal a month only once in recent months.

The pit at Merthyr Vale stands below the mountain from which a coal waste tip slid on to the Pantglas school at Aberfan in October 1966, killing 144 people, most of them children.

Yesterday, Mr Tony Davies, secretary of the Merthyr Vale National Union of Miners (NUM), said: "We have paid a far higher price for our coal than anyone else."

Mr Des Dutfield, president of the South Wales NUM, said: "Sonth Wales has lost 3,500 mining jobs in less than six months. The Welsh Secretary Peter Walker should think about that as he keeps going on about his famous initiative for the valleys."

Oakdale is the last colliery in the Islwyn constituency of Mr Neil Kinnock, the Labour Party leader. It has been losing £1m a month and British Coal says its reserves are now exhausted.

Miners at both the pits will be told of the closure recommendations at mass meetings today.

Mr Terrence Wheatley, British Coal's South Wales area general manager, said yesterday that all the men who did not volunteer for redundancy would be offered alternative jobs.

NATIONAL POWER, which is to take over most of Britain's power stations when the electricity industry is privatised, is considering developing two deep-water ports to import coal.

Each of the new facilities would be capable of handling 5m tonnes of coal a year.

The announcement yesterday comes as generating companies and British Coal negotiate over the price of future supplies of fuel.

EC road safety plan opposed by Britain

BRITAIN is opposing European Community proposals to standardise road safety measures across Europe.

The EC wants all member states to adopt uniform drink drive laws and standardise speed limits.

In a report published yesterday, however, Mr Peter Bottomley, the former roads minister, says the changes would be unnecessary.

The House of Commons committee on European legislation interviewed Mr Bottomley, while he was still at the Transport Department, and Mr Eduardo Pena Abizendo, of the Commission of the European Communities, earlier this year.

The committee concluded that more debate was necessary before decisions were taken.

Giving evidence, Mr Bottomley said Britain already had a good road safety record compared with some other EC countries.

He said he feared that setting a standardised drink-drive limit might encourage people to drink the maximum permitted rather than continue to scale down their drinking.

The report said the Transport Department took the view that "it was within member states that road safety could most appropriately and effectively be promoted, because safety does not depend on cross-boundary transport arrangements."

Giving evidence to the committee, Mr Bottomley said: "The UK has got the best or, to pnt it more humanely, the least worst road casualty rate in the Community. It is because we have managed to take advantage of social norms, public attitudes and enforcement strategies, including regulations, in a way which produces the best possible result."

The report said the Government took the view that the number of over-the-limit drink-drive cases had been halved in the past 10 years without any change to legislation, enforcement or sentencing.

In Brief

Investment growth 'set for fall'

A SHARP fall in investment growth will accompany the expected economic slowdown next year, according to a compilation of independent forecasts published yesterday by the Treasury.

Gross fixed investment, which includes spending on plant and machinery, is expected to rise by 6 per cent this year. But an increase of only 2 per cent is expected in 1990. Some organisations predict that investment may even fall next year.

Boat toll rises

More bodies from Sunday's pleasure boat disaster on the Thames in London were recovered, taking the number of victims found to 44.

TUC looks to EC

The Trades Union Congress is almost certain to set up a permanent lobbying office in Brussels from next year, to monitor European Community policy. The proposal will be put to the TUC congress in Blackpool in 10 days' time.

Computer detection

The Inland Revenue is installing a computer system designed to track down those whose expenditure is far beyond their declared income. When the system goes on-line next month, the Revenue hopes it will help net some of the £4bn it loses each year to the black economy.

Recruitment tronbles

Many UK companies are experiencing recruitment and retention difficulties, giving rise to fears that skills shortages will adversely affect corporate planning and performance over the next three years, according to a survey by Mercer Fraser, the management consultants.

Company bonus

The proportion of directors of large companies who receive cash bonuses has increased from 57 per cent to 82 per cent over the last four years, according to a study by remuneration consultants.

Audi importer plans relaunch to boost dull sales

By John Griffiths

BRITAIN'S importer of Audis, the West German luxury cars, is planning a big relaunch next week to boost lacklustre sales with effective price cuts on its entire range of cars, which will be fitted with catalytic convertors as standard.

Mr Richerd Ide, managing director of VAG UK, the Lonrho-owned importer of Audis and Volkswagens, said the initiative was being taken not because "we've gone into *open-toed sandals* and brown rice but because we want to sell more cars."

VAG's catalytic convertor move, in particular, is likely to dismay most rival companies operating in the executive car sector, who have been charging up to £800 extra for their catalytic convertor-equipped, environmentally 'clean' cars.

The move upstages Volvo Concessionaires, the Lex Group-owned importer of Volvos, which announced several weeks ago that it would offer 'cats' as a no-cost option on its cars from the beginning of 1990.

Mr Ide's hope is that the relaunch, which also includes more model variations, revised engines and improved specifications affecting every car in the Audi range, will increase Audi's UK sales from fewer than 19,000 cars last year to around 30,000 in 1991 and lift its market share from less than 1 per cent to around 1.5 per cent.

At the same time, according to sales and marketing director Mr Peter Cover, the re-launch is hoped "to remove forever" a widespread impression that Audis are excessively expensive in the UK.

VAG admit their expensive Audi image is partly responsible for the failure of the marque to benefit from the buoyant UK new car market, which has seen sales records set in each of the past few years.

Whereas UK sales of Audi's most immediate rivals, BMW and Mercedes have risen sharply over this period (see chart), Audi's British sales last year were lower than in 1984.

Mr Ide hopes that VAG will now be able to build rapidly on a slight improvement already discernible this year: sales in the first seven months were up 14 per cent, to 10,328. The new range goes on sale on September 1 and is being backed by a £4m advertising campaign.

The switch to catalytic convertors has been made physically possible by the sharp upswing in the availability of unleaded fuel in the UK. It is now available in most areas of the country and already accounts for about 25 per cent of total car fuel sales.

According to Mr Ide, the relaunch forms part of the determination of Volkswagen of West Germany, which includes the Audi and Spanish SEAT car ranges, to stay at the top of the West European car production league – a position hotly contested with Fiat of Italy. VW hopes for 155,000 European sales for 1992, compared with 124,000 last year.

The new Audis are said to be easily capable of meeting the stringent, US-style exhaust emission standards planned for the EC from 1992.

Opposition calls for inquiry into bid for BAT

By John Mason

THE HOYLAKE bid for BAT, the tobacco-based conglomerate, should be referred to the Monopolies and Mergers Commission and the opportunity used for the Government to clarify its competition policy, particularly towards highly-leveraged bids, Mr Bryan Gould, Labour's Trade and Industry spokesman, said yesterday.

The opposition spokesman warned that allowing the bid by Hoylake – the takeover vehicle headed by Anglo-French financier Sir James Goldsmith – to proceed could lead to a "tidal wave" of similar bids.

He said there was conclusive evidence that takeovers and mergers did not, on balance, benefit either party. A high rate of takeovers was strong evidence of a badly-functioning economy where companies found it more attractive to increase market share through acquisition and elimination of rivals rather than increasing competitiveness.

"The most malign effect of excessive takeover activity is the emphasis it encourages on the short-termism which is the bane of British industry.

"If the Hoylake bid proceeds, no company in Britain will feel safe. There will not be a boardroom in the country ... which is not encouraged ... to concentrate on short-term performance to the detriment of long-term investment," he said.

He said UK policy meant that the only obstacle faced by predators was the criterion of competition. However, there had been cases where other factors, such as a highly-leveraged bid, had clearly been taken into account.

NATIONAL INSTITUTE REVIEW

Economy gets poor bill of health

By Ralph Atkins, Economics Staff

NATIONAL INSTITUTE REVIEW FORECAST

	Home economy: Real GDP† Total	Real GDP† Non-oil	Manu. output‡	Jobless♣	RPI♥	Current balance♣	PSBR◆	World economy: Real GNP☆	Consumer prices☆	World trade★
1988	4.4	5.0	7.1	2.1m	6.5	-£14.9bn	-£14.2bn	4.0	2.8	9.6
1989	2.4	2.9	3.8	1.7m	7.4	-£18.3bn	-£14.0bn	3.4	4.5	6.4
1990	1.9	1.4	-0.8	1.6m	6.4	-£15.8bn	-£13.8bn	2.2	3.9	4.7

†Output measure, % change, year on year. ‡% change, year on year. ♣UK, wholly unemployed(excluding school leavers), fourth quarter. ♥% change, fourth quarter on fourth quarter. ♣year.◆ Fiscal year. ☆major seven, % change, year on year. ★ Volume of world trade, % change, year on year.

A PROTRACTED period of slow growth and stubbornly high inflation will characterise the UK economy in the early 1990s, the National Institute believes.

The institute, an independent research organistion, said progress in moderating inflation will he slow, with the annual rate remaining above 5 per cent for the foreseeable future, the review argues. But an expected fall from a peak this year may allow for a one percentage point cut in interest rates in 1990, if not earlier.

Retail price inflation is expected to steady as last year's mortgage rate increases drop out of year-on-year comparisons. However, an expected depreciation for sterling will lead to increases in import prices and a rate of inflation persistently above that in the rest of the world.

It says: "Since the progress in moderating inflation will be slow, the reduction in interest rates will be no more than slight."

The forecast is made against the background of an expected slowdown in economic growth around the world. The review says than for most of the 1980s the British economy has grown faster than the rest of Europe hut this year the position is being reversed.

Output in the first half of this year has been flat, partly hecause of production problems in North Sea oil fields. Gross domestic product is expected to increase by just under 2¼ per cent this year hnt hy less than 2 per cent in 1990.

This will begin "a protracted period of slow growth." Signs of recovery may not emerge until at least 1993.

A high level of stockbuilding last year will continue in 1989 because output is not expected to slow as much as demand.

The institute expects that a slowdown in both consumers' expenditure and investment will become apparent at the end of this year, leading the downturn in economic growth.

Real consumers' expenditure is forecast to grow less rapidly than real incomes this year as the high level of interest rates eventually slow growth in consumer credit.

The institute has pencilled in income tax cuts worth about £2bn in next year's Budget. The substantial surplus in public sector finances is expected to remain until at least 1992-93. A public sector debt repayment of £14bn is forecast for 1989-90, in line with Treasury forecasts.

For overseas trade, a worsening is expected this year with the current account deficit rising to £18bn. Some moderation. to about £16bn is envisaged.

Further ahead the institute believes slower demand growth and an improved oil surplus will turn the current account towards balance. By 1991, the deficit is expected to have been reduced to 2 per cent of GDP (compared with 3.3 per cent in 1988) and by 1993 is forecast to have fallen below 1 per cent.

The institute says it is optimistic about export growth. In manufacturing, exports have continued to grow strongly.

Falls in the overseas earnings of the City have checked growth in service exports in recent years, it says. But financial services are expecting benefits from more open European capital markets in the run-up to the creation of a single *market* from 1992.

Recent high wage settlements and more frequant industrial action in support of pay claims point to an acceleration in earnings growth, the institute argues. A moderation is expected in 1990 hut not sufficient to prevent faster growth in unit labour costs in both 1989 and 1990.

Steady falls in unemployment are expected to end in 1990, helping to ease wage pressures. The institute suggests that unemployment may already have stopped tumbling in the south – usnally regarded as the leading region for wage setting.

Studies show benefits of full EMS membership to Britain

By Simon Holberton, Economics Staff

THE UK AND THE EMS

	Interest rates	GDP*	RPI*	Current account†
1979	9.5 (13.4)	3.2 (3.0)	11.9 (13.4)	-0.4 (-0.3)
1980	10.9 (15.7)	-2.0 (-2.9)	19.8 (18.0)	0.5 (1.3)
1981	13.7 (13.5)	-1.0 (-1.4)	20.9 (11.9)	2.8 (2.7)
1982	11.4 (12.0)	1.2 (2.2)	12.8 (8.6)	2.8 (1.7)
1983	8.6 (9.6)	2.3 (3.4)	5.3 (4.6)	2.2 (1.3)
1984	8.5 (9.5)	2.5 (2.8)	4.8 (5.0)	1.3 (0.6)
1985	7.5 (11.9)	3.8 (3.5)	3.6 (6.0)	1.3 (0.9)
1986	6.3 (10.6)	2.7 (2.9)	-0.6 (3.5)	0.4 (0.1)
1987	5.7 (9.6)	4.2 (4.7)	-2.1 (4.1)	-1.3 (-0.7)
1988	5.8 (10.0)	5.3 (4.3)	2.3 (4.9)	-4.2 (-3.2)

The figures show the results of a simulation on the National Institute's model of the UK economy as if Britain were a full member of the EMS. The figures in brackets represent the actual out-turns for each year; * annual growth rate; † current account as a percentage of GDP. Source: National Institute, August 1989.

FULL MEMBERSHIP of the European Monetary System (EMS), including the exchange rate mechanism of which Britain is not a member, from 1979 would heve delivered lower inflation and huoyant outpnt, according to two National Institute studies. But the Government is advised against moving to economic and monetary union too quickly.

The studies, which advocate UK participation in the exchange rate mechanism of the EMS hut a cautious approach towards greater economic integration in Europe, lend weight to those in the Government who are pressing Mrs Margaret Thatcher, the Prime Minister, to change her attitude towards closer economic and monetary ties in the European Community (EC).

The first study, written by Mr Andrew Britton, the institute's director, suggests that full EMS membership would have helped Britain achieve a much lower level of inflation than occurred during the 1980s, without compromising strong economic growth.

In conducting his simulation of "what might have happened" to the economy, Mr Britton fixed sterling in relation to a weighted average of the main European currencies and set UK interest rates as an average of short-term European interest rates. This led to a generally lower level for the exchange rate and interest rates than occurred during the 1980s.

According to his simulations, inflation would have fallen in both 1986 and 1987. It would have been 2.3 per cent last year instead of almost 5 per cent. Full EMS membership would not, however, have stopped inflation rising to nearly 8 per cent this year. But, the study says, by 1990 inflation would have fallen to 4 per cent and by 1991 prices would have risen by just 0.6 per cent during the year.

The institute's main forecast, which assumes the UK remains outside the exchange rate mechanism of the EMS, shows inflation staying above 5 per cent until 1993.

Mr Britton's study suggests the recession of the early 1980s would have been less severe than it was. Output growth after 1983 would have been robust, although slightly less than what ectually occurred. Within total output, manufacturing would have benefited most with the level of output in 1988 2.5 per cent higher than it was.

Full membership of the EMS would have meant that Britain had bigger current account surpluses in the early 1980s but slightly larger deficits in the late 1980s. Projections into the 1990s suggest that the balance of payments will be a persistent problem for the UK and a constraint on growth.

The second study, by Mr John Kay and Mr Michael Posner, argues that economic and political integration in Europe is inevitable, but must be managed carefully.

The UK should reject a route towards integration which seeks the early imposition of a strong central authority over European states and should instead push for a greater degree of pluralism and diversity.

Doubts cast on skill standards

By Charles Leadbeater, Labour Editor

SERIOUS FLAWS exist in the Government's plan to create a standardised system of vocational qualifications, which could be harmonised with arrangements in the rest of the EC, according to an article in the review.

The weaknesses create a risk that the proposed system of qualifications will merely certify a much lower level of skills in the UK than in Europe, the report says.

The article, by Professor Sig Prais, says the effectiveness of continental European qualification systems raises three doubts about the merits of the National Council of Vocational Qualification's plan to establish a nationwide system of qualifications.

The council was set up in 1986 to systematise the plethora of different qualifications offered by occupational associations, professional bodies and training organisations.

The three doubts centre on fears that the UK system of qualifications will be one step behind those in other European countries; that there are no written tests unlike the rest of Europe; and that basic practical competence will be defined by a low level qualification covering narrow skills.

While continental qualifications give an important role to general transferable skills, the British system is giving much greater weight to the immediate needs of employers.

Demand for construction remains at record high

By Andrew Taylor, Construction Correspondent

BRITISH construction orders have remained at record levels during the first six months of this despite a sharp fall in housebuilding according to figures published yesterday by the Environment Department.

Total orders received by contractors during the first half of this year, after allowing for inflation and seasonal factors, were 2.5 per cent higher than during the first six months last year.

This was despite a 17 per cent decline in housebuilding orders between the two periods.

The slowdown in new house construction has followed a widespread slump in the property market, which has been most marked in London and south eastern England.

Total construction orders during the three months to the end of June, according to the department were 3 per cent higher than during the first three months *months* of the year and 9 per cent higher than during the corresponding period last year.

The figures, according to construction analysts, suggest that output is likely to remain at a high level until the middle of next year.

Orders recorded by the department typically reflect output levels for 12 months ahead.

The continued resilience of private sector office and industrial orders *is surprising given* recent forecasts from the National Economic Development Office and the National Council of Building Material Producers that construction output is expected to decline by about 1 per cent next year.

The forecasting hodies expect output to rise again in 1991 as private investment and public spending pick up in the run up to the next general election.

According to yesterday's figures, private commercial orders – mostly offices, shops and leisure developments – were 1 per cent lower during the three months to the end of June than during the previous three months hut 21 per cent higher than during the corresponding period last year.

Private industrial orders were 11 per cent than higher during the previous three months and 7 per cent higher than the corresponding period last year.

The biggest increase in orders was for public works other than housing which were 32 per cent higher than the previous months and 37 per cent higher than a year ago.

Orders for roads, where the Government has proposed a hig investment programme amid rising concern at heavy congestion, rose to £118m in June compared with just £27m in June 1988 when the Government imposed a moratorium on motorway and trunk repair contracts.

Commission says N-sell off is fair

By David Green

MEASURES to protect nuclear power when the UK electricity supply industry is privatised may not be contrary to the European Community's free trade principles, according to the European Commission's Energy Directorate.

It told the Council for the Protection of Rural England (CPRE), however, that much will depend on the precise nature of the actions the Government takes once the legislation is implemented.

The CPRE has submitted to the EC that protection given to nnclear power ia a form of state aid which is illegal.

The Government's Electricity Act requires area distribution companies to contract for a minimum amount of electricity, expected to be initially set between 15 and 20 per cent of the total ordered, from non-fossil fuel sources.

For the foreseeable future non-fossil fuel requirements can be met only by nuclear power, because alternative energy projects will make only a minor contribution.

The CPRE has also questioned the legality of the Government's provision of £2.5bn to contribute to "unforeseen or uncontrollable" nuclear industry costs of re-processing spent fuel and de-commissioning.

The commission said the actions taken by the UK Government when it implements the legislation will be examined.

European hub planned for Midlands airport

By Richard Tomkins, Midlands Correspondent

BIRMINGHAM International Airport, in the Midlands, is to be expanded as a new European interchange with a new purpose-huilt huh terminal financed by a consortium including British Airways and several district councils.

The development is believed to be the first time the public and private sectors have come together in an airport construction project in the UK.

British Airways, the UK carrier, has decided to adopt the airport as a UK regional hub, using it as a main interchange point between domestic flights arriving from airports in the British Isles and flights going on to Continental destinations.

The £60m passenger terminal, the airport's second, is being built mainly in response to the planned expansion of BA operations from Birmingham and is due to open in summer 1991.

Over the next five years, BA plans to increase its services out of Birmingham from 150 to 240, and to add another 12 destinations – including Rome, Madrid, Lyon, Nice and Geneva – to the 18 it already serves from the city.

The principle of huh and spoke operations is already well established in the US at airports such as Atlanta, Georgia and Charlotte, North Carolina.

Birmingham says its new terminal will be the first of its kind in the UK, cutting walking distances and administrative obstacles to the minimum. It will handle up to 2.5m passengers a year, almost doubling the airport's capacity, and will aim for an optimum transfer time of 30 minutes.

The terminal will be huilt by a consortium called Euro-Hub (Birmingham) Ltd.

The shareholders will jointly put up £21m worth of equity. Euro-Hub will raise another £23.5m in debt, and the balance of the £60m – comprising infrastructure and fitting-out costs – will be met directly hy the partners.

Cricket sponsorship

Foster's plays an elliptical bat

There is a supreme irony in the Australian lager group's rescue of the Oval, while Castlemaine, its rival, is the sponsor of the Australian team. David Churchill reports

When David Gower leads out the beleaguered English cricket team at the Oval this morning to play the Australians for the last time this summer he will come face to face for the first time with an unusual sight: the famous gasometer overlooking the ground will have some rather strange additions.

On one side will be a giant 30 foot high English tea cup, being warmed by gas flames (to keep British Gas which owns the gasometer happy); on the other will be a huge can of Foster's lager, the Australian brew described as "amber nectar" in the famous series of commercials starring the comedian Paul Hogan.

The reason for this marketing gimmick at one of England's most famous cricketing venues is simple: money. Foster's has responded to an appeal by the Surrey County Cricket Club for funding to redevelop the stadium; the ground was in danger of being lost to cricket – partly because its facilities were so poor. The company is pumping in what it says is a "multi-million pound investment" – thought to be around £2m.

In return the grateful Surrey County Cricket Club authorities have renamed the ground the Foster's Oval for the next 15 seasons and are only too willing to give Foster's as much publicity as they can in return for bailing the club out.

Yet today's test match has an added twist: it also highlights the bitter battle between Australian lager brands being fought out on the cricketing fields of England this summer. So far all the sponsorship honours have gone to the Australian lager Castlemaine XXXX, brewed in the UK under licence by Allied Breweries, which has been the official sponsor of the victorious Australian cricket team.

But Foster's, which is owned by Courage (itself owned, ironically, by the Australian-based Elders IXL group) is fighting back not only with the sponsorship of the Oval but also with wide-ranging support for club cricket throughout Britain.

Is it worth it? English cricket, after all, has been earning more headlines off the pitch than on – and the performance on the pitch has hardly been worth getting excited about.

"Surprisingly few companies seem interested in sponsoring cricket," points out Simon Morris, a director of Sports Counselling Services which helps match would-be sponsors with suitable sports.

"Those that do are usually more interested in the entertainment possibilities of top matches than just general sponsorship," he adds.

What makes cricket's seeming lack of popularity with the corporate sector so surprising is the fact that it receives more hours of television time than any other sport (apart from the Olympics) and is the third most popular spectator sport in total – including television and live viewing – after football and snooker.

A tube on the tube: one of Foster's ads at Oval underground station

While the rationale behind Castlemaine XXXX's support for the Australian touring team is clear – it is a precisely targeted campaign aimed at young male beer-drinkers who can identify with the macho Australian cricketers – Foster's 15-year support for the Oval is rather less certain.

"It's going to be a hard slog trying to get people to call it the Foster's Oval," points out Morris. "Many companies have found that the more established the event, the harder it is to get the media and public to acknowledge the sponsors."

Some idea of the hurdle Fosters has to clear is the fact that the Oval is the world's oldest Test match venue.

Chris Meredith, senior brands manager for Foster's Lager, acknowledges the difficulties of getting public acceptance of the new name for the cricket ground. "But I think that people are getting used to the idea now as we keep on reminding them in various ways of our involvement," he says.

Apart from the giant can of lager overshadowing the ground, Foster's promotional ploys include a blitz of posters on the nearest tube station to the Oval to make sure that the crowd for the five-day test (if England survive that long) are in no doubt who the sponsors are.

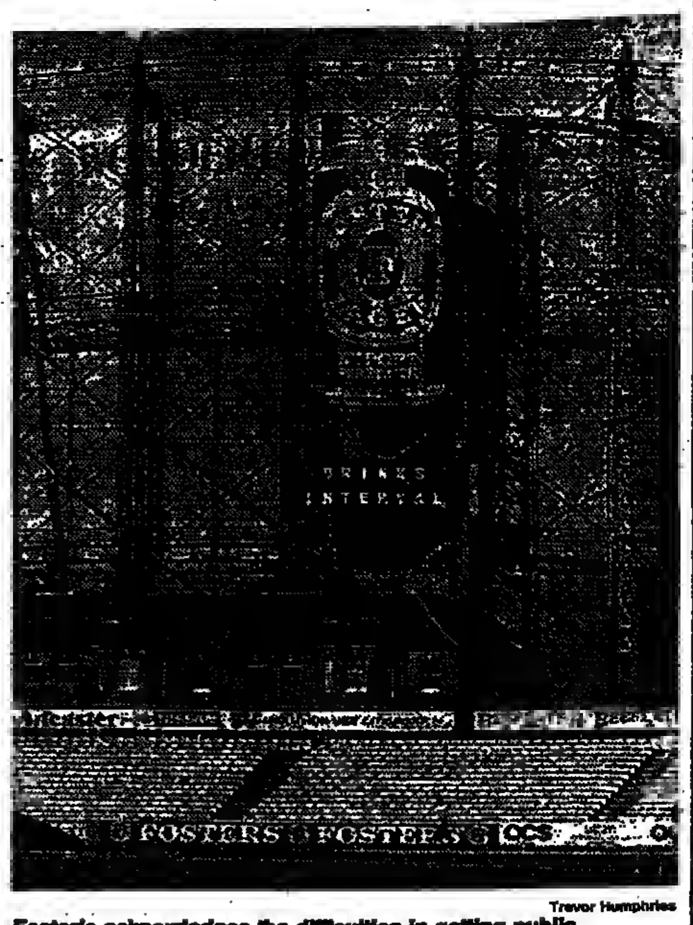
But Foster's is also spreading its support to club cricket by awarding – for the second season in succession – any club cricketer who scores a century at whatever level a commemorative cricket ball, silk tie, and certificate signed by David Gower.

The measure of just how successful Foster's sponsorship deal will be has yet to emerge. A survey by Marketing magazine and sponsorship monitors RSL Sportscan published last May – and covering only the winter period – found that Benson and Hedges in fifth place had the highest spontaneous awareness among a survey of almost 2,000 adults of all cricket sponsors, with Cornhill, John Player, and National Westminster – which all sponsor cricket competitions – well down the top 20 league table.

The survey clearly showed, however, that sponsorship only stays in the public's mind for a limited time. "We take a survey at the beginning and end of every season and find quite an appreciable rise in consumer awareness of our name at the end," points out Bill Marshall, marketing and production manager for Cornhill which has sponsored the Test Matches in England for the past 12 years.

Marshall, moreover, is convinced of the success of the Test sponsorship, which now costs almost £1m a season. "We wouldn't do it if we felt there was no return for us," he says. "But our awareness with the public was only around 2 per cent before we started; now it is about 18 per cent according to our surveys."

Achieving a higher profile with target groups of consumers is still the accepted measure of a sponsorship's success. But, says Morris, companies are increasingly wanting to tie in sponsorship deals with a whole range of benefits to get the maximum impact.



Trevor Humphries

Foster's acknowledges the difficulties in getting public acceptance of the new name for the ground

Foster's support for the Oval is not the first time it has sought to link up with one of the prestige names in sport. Last year it flirted with the idea of sponsoring the FA Cup until, so it was said, the footballing authorities got cold feet about tying Britain's most prestigious sporting event to an Australian lager.

The Surrey County Cricket Club had no such problems when it accepted Foster's sponsorship, although the irony will not be lost on many England supporters over the next few days that the Australians have scooped up not only the Ashes but also the oldest cricketing Test venue all in one season.

A market for young and old

By David Churchill

"YOU DON'T have to be a clairvoyant to see we are coming to the end of one of the biggest consumer spending booms in this country for years," argues Andrew Davidson, editor of a report on consumer markets in the 1990s to be published shortly by the Key Note market research company.

"There are executives out there whose jobs may well be on the line if demand does show a downturn," he adds, rather unsympathetically.

Few in the marketing world are likely to be unaware of the potential perils of wrongly reading consumer markets in the decade ahead. Successful marketers in the 1980s, for example, have been those who identified such trends as greater home ownership and the significant growth in foreign travel.

But identifying the crucial trends of the 1990s is easier said than done. Key Note's report takes a number of standard factors and attempts to extrapolate the implications.

The demographic impact, it points out, of an increasing child population coupled with an increase in the number of over-65s has "serious implications." Specifically, it reaches the not unsurprising conclusion that this will boost sales of children's clothing and confectionery as well as products and services for the elderly.

Key Note believes that spending on services will continue to be a growth area of the economy, accounting for an increasing proportion of consumer spending as holidays and eating out become a greater part of people's lives.

But it also expects expenditure on furniture and floor coverings to show strong growth "as depressed property market conditions shift the focus from house buying to home refurbishment."

Key Note argues that underpinning the continued strength of consumer spending is consumer credit. Its research into spending priorities found that – contrary to conventional economic opinion – most consumers did not expect to let even higher interest rates deter future spending.

**Consumer Trends: marketing implications for the 1990s, Key Note Publications, Field House, 72 Oldfield Road, Hampton, Middlesex, TW12 2HQ. £295.*

'Green' paper takes on a whiter hue

Maggie Urry reports that at a time when demand for recycled paper is on the increase it is still only in niche markets that it can compete cost effectively against wood pulp-based paper

However keen people are to buy "green" they are, on the whole, not prepared to sacrifice quality. It is thus a challenge to manufacturers to make good quality products without using what are being increasingly seen as unacceptable materials or methods.

It is a challenge that paper makers have taken up. But while newsprint mills have cracked the technology of producing as good a sheet from recycled paper as from virgin fibre, higher quality papers are still almost entirely made, in the UK at least, from new pulp. Recycled versions can look distinctly off-white and are hard to print on.

Nevertheless, there are now niche markets where products made from recycled paper can compete directly with those produced from wood pulp. Mainly they are those involving small production runs where both large and small manufacturers operate at comparable costs. In the high volume markets the large mills have such economies of scale that recycled paper is more expensive.

Hedda Bird, managing director of Conservation Papers, a marketing organisation for a number of mills making paper from recycled fibre, says the demand has risen sharply in recent months. By and large only small mills have moved into recycled printing and writing papers, and, she says, there are no makers of good quality recycled photocopying paper in the UK – some is imported from West Germany.

One of the smaller operators is New Waterside paper mill, picturesquely sited by the Grimshaw Brook near Darwen in Lancashire. It is now making white paper from 90 per cent recycled fibre which does indeed look white. Its main uses are for envelopes – the mill is owned by Chapman Industries, an envelope specialist – and as a base for posters, gift wrapping and wallpaper. It is also producing recycled computer listing paper.

The key to this development has been investment in machinery to treat the waste paper. New Waterside was the first British mill to buy a Cellwood dispersion unit, which was installed last September. A second is due to be put in this September, and will be the fifth installed in the UK.

John Townend, managing director of the mill, says of the second unit: "Delivery takes nine months, and we will instal it one year after the first. You can tell when we made the decision."

The mill uses good quality waste – avoiding cheaper waste such as newspapers, magazines and cardboard boxes – including computer listing paper, white newsprint, unused envelopes and packaging papers, and even government secrets which are carefully pulped in the presence of a government official. The mill uses some optical brightening agents in its process, though brightness is also raised by incorporating a good proportion of white waste.

The combination of waste paper used by New Waterside works out cheaper than virgin wood pulp, and since raw materials make up half the cost of paper production the paper can also be sold more cheaply than that of its competitors.

Even better quality waste is needed, though, to produce printing and writing papers which can compete with top quality paper made from virgin fibre. It consists mainly of "mill broke" off-cuts from paper mills which the mills cannot recycle internally. A lot of waste comes from printers and converters, such as envelope manufacturers, which collect the off-cuts. And waste paper merchants are trying to encourage more offices to collect paper.

None of the mills for which Conservation Papers acts bleaches its paper, although much of the waste is paper which was bleached originally. Printed paper can be de-inked or, as at New Waterside, put through a dispersion system. But as Hedda Bird points out, "best white waste" costs more than wood pulp.

ACCOUNTANCY COLUMN

Industrial answer to the training question

By David Waller

THE Institute of Chartered Accountants of England and Wales has long professed itself committed to "rationalising" the UK's accountancy profession. Developments earlier this month show that this august body is still resolutely pressing ahead towards its goal, in spite of the embarrassing failure to merge with the Scots in June.

The English institute's latest proposals are twofold: first, that it should allow chartered accountants to train in industry, and, second, that it should move towards merging with the Chartered Institute of Public Financing Accountancy, the 12,000-strong body for accountants working in the public sector. The ICAEW's 90,000 members will be balloted on those recommendations in February.

Plans for training outside public practice – TOPP for short – have been mooted before but have been dormant for some years. The out-of-the-blue revival of the idea from an institute hell-bent on preserving, even enlarging, the sphere of its influence has alarmed both chartered accountants and their cost and management counterparts at the Chartered Institute of Management Accountants.

The fears expressed by the chartered variety of accountants are many and various but the most popular complaints are:

- A worry that the the cachet of the CA qualification – undoubtedly the brand leader in this particular marketplace – will be diminished by breaking with time-honoured tradition.

Specifically, chartered accountants pride themselves on the breadth of experience picked up during three years of training in public practice – and the independence of mind that comes out of taking tough decisions as an auditor. By limiting a trainee accountant's experience to practice within one company – albeit a large one with many subsidiaries – those precious qualities will be lost.

As Mr Colin Walters, deputy director of education and training at the ICAEW, observes, that is an emotive issue. The irritant here is a conflict between the inherent conservatism of the profession – and many of the professionals – and the radical steps that need to be taken to adapt it, and them, to the modern commercial world.

Conflict arises, moreover, between the interests of the 50 per cent of ICAEW members in practice and the balance in industry. The institute is addressing that in its move towards "faculties" for different areas of technical expertise and separate boards for members in industry, finance and commerce.

- A concern about impact of TOPP on recruitment. Mr Philip Sober, senior partner at Stoy Hayward, is not alone in expressing fears on that count. "There is terrific competition for people as it is," he says, "and that was likely to intensify with the shrinkage in the number of graduates envisaged for the coming years. TOPP can only make things worse."

There is a worry that big companies, traditionally better payers at the entry level than their counterparts in public practice, will be able to poach the best students – those who would otherwise have gone to the Big Eight because of the status of the CA qualification, now wooed into industry by the prospect of more direct commercial experience.

The worries for the management accountants are different in character. In recent years, CIMA has successfully promoted itself as *the* accountancy body for industry – a success reflected in the number of new CIMA students, up from 7,350 in 1986 to 9,227 last year, and a record 77,000 members and students.

What will become of this special status once TOPP comes into effect? Possibly new entrants will defect to the ICAEW; perhaps the CIMA qualification will come to be seen as second-rate as a special cadre of industry-trained CAs comes on to the scene. In the circumstances, it is easy to detect a note of pique in the reaction of Mr Ron Giffin, president of CIMA, to the latest developments.

"English chartered accountants have always prided themselves on their special status as auditors," observes Mr Giffin. "Why has it suddenly become so attractive to move into industry? Only a couple of months ago, they were busy trying to merge with the Scots.

"The nature of the qualification will change fundamentally. It's like saying that a Mars bar is still a Mars bar even if you've put a new crisp in the middle. It won't be the same product at all."

To what extent are these various fears, on the part of both categories of accountant, justified? On the face of it, worries about an immediate onslaught on the recruitment market seem to be misplaced.

Big companies have for years lamented the fact that they subsidise the training of accountants when they pay their audit fees. Even so, few companies will be willing to shoulder that cost themselves – given that a management accountant is a lot less costly to train than a CA, and that the audit fees will still have to be paid.

The ICAEW stipulates a minimum of 26 weeks' study leave during the three-year training contract; companies probably get away with two weeks a year for a couple of years, while most of the study work is done via a correspondence course. In a company, the costs of the extravagant amount of studying required for for the CA qualification – enormous in terms of the amount of time devoted to non-productive work – would be spread over vastly fewer people.

So the take-up for TOPP may imitate that of a similar scheme introduced by the Irish institute of chartered accountants a number of years ago, which has attracted only a few dozen students over the course of its undistinguished life. But such a view is possibly complacent. The ICAEW has an interest in making TOPP work, within industry as well as the public sector as envisaged by the proposed merger with CIPFA.

A cursory look at the core requirements of the two syllabuses shows how different the two qualifications are. To become a chartered accountant, one has to have experience of three of the following four subjects: financial accounting, auditing, taxation and financial management/management accounting.

One of those three must be financial accounting – possibly the subject of least relevance to the management accountant, who must pick up experience of basic accounting, management accounting (surprise, surprise) and "participation in general decision taking" and "general experience".

The ICAEW line at the moment is that companies wishing to be authorised to train chartered accountants must comply with the letter of the training regulations as set down now. But, if the institute is going to have any success in introducing TOPP, and if it is to increase its influence over the varying strands of the profession in accordance with its wider strategy, the rules will have to be changed to make the training more relevant to the needs of industry.

A distinction between the qualification awarded to those who train in a firm and those in industry is already envisaged in the 1989 Companies Bill. Under that legislation, chartered accountants trained in industry will not be recognised as auditors. That is an important distinction between different types of CA and one that will probably usher the way to greater flexibility on the part of the ICAEW.

Back to the CIPFA merger. There is a degree of consensus among senior chartered accountants that a merger with this particular body makes a lot of sense. CIPFA attracts the same sort of high-quality candidate as the ICAEW, and the path to qualification is similar.

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TECHNOLOGY

The need to read between the pocket telephone lines

Della Bradshaw looks behind the hype surrounding telepoint and explains what the new services have to offer customers

The British public is about to be bombarded with all tbe razzamatazz of a clutcb of new portable telepbone services.

Consumers wanting to keep up with the latest trends will bave to make a cboice: whether to stick to a cellular phone – the sort now sported by every self-respecting yuppie – or to huy one of the new telepoint pbones.

But behind the hype lies confusion. What exactly is telepoint?

It was originally thought of as a sophisticated version of the domestic cordiess phone, seen tucked into gardeners' pockets to prevent them having to run back to the house every time the phone rings. The handset is linked hy radio to a hase station, whicb is plugged into a phone socket.

The same principle applies to telepoint, with sturdy versions of the base being provided in puhlic places, such as railway stations, motorway service stations or hanks. The hase is plugged into the BT or Mercury telepbone networks.

So what do the new services offer and, more importantly, what do they not offer?

To hegin with, telepoint phones cannot receive calls via public bases. However, as with estahlished cordiess phones, consumers can buy bases whicb will enahle them to receive calls at bome.

The bandsets can only be used to make calls within 200 metres of a "base station" – and that base has to be one belonging to the service to which the customer subscribes. It will be indicated by a brigbtly coloured sign.

Four rival services have been licensed by the Government, and tbe speed with which each increases the number of bases will be one of the main competitive factors.

Phonepoint, a British Telecom-led consortium, has stolen a march hy being the first to launch a commercial service – hut with only 100 base stations. The total will not reach 1,000 until next year. Ferranti Creditphone hopes to begin operation by the end of this year with 1,000 bases in big cities and along motorways. Likewise, Mercury Callpoint plans a launch this year, with several hundred bases in place.

Botb Pbonepoint and Callpoint have signed up with British Rail to use railway stations, and several of the motorway service station operators are supplying sites.

Because calls can only he made within a limited range, the phones are portable but not mohile – they cannot be used to make calls while driving, for example.

More confusingly, the systems are not compatible. Althougb Phonepoint and Callpoint use the same handsets, developed by Shaye Communications of Winchester, the consumer must buy a phone to work on one specific network.

Ferranti has developed a different product for its Phone Zone service. The fourth consortium, Byps, owned by Barclays Bank, Philips Electronics and Shell, has not yet ordered equipment and looks unlikely to launch a service this year.

A reconciliation of the incompatibility between handsets and systems is in sight. By the end of 1990, the UK Government has ruled that all operators must use equipment which conforms to the same signalling standard, called the common air interface (CAI). This will mean that a customer can buy whichever handset he prefers and then decide which network to register with.

Another potential source of confusion will be the different charging structures. Ferranti is pltcbing its charges in line with those for using a BT call box. Each unit will cost 10p and its length will vary according to distance and time of day. Each call will also carry a one-off charge of 5p.

With Phonepoint, on the other hand, charges rise from between 10p and 25p a minute during the off-peak period to hetween 13p and 30p during peak times.

Both also have joining fees – £20 to £25 – and service charges of £8 a month or £25 a quarter. Itemised bills are availahle for an extra charge.

However, this is simpler than the charging system for cellular phones. The two-tier cellular system of operator and distribntor means that although Cellnet and Racal Vodafone charge a set rate to all their retailers, there is no control over what the retailers charge their customers. Some users have been horrified at the tariffs of unscrupulons dealers.

Although detailed comparisons are difficult, it is clear that telepoint will be considerably cheaper. Barry Moxley, managing director of Phonepoint, says that on an annual basis the bill is likely to be only about one third that of cellular for the equivalent number of calls.

However, because cellular tariffs are applied in just two zones – those made from inside or outside London's M25 motorway – customers with a lot of long-distance calls from, say, Glasgow could still find cellular an attractively priced alternative.

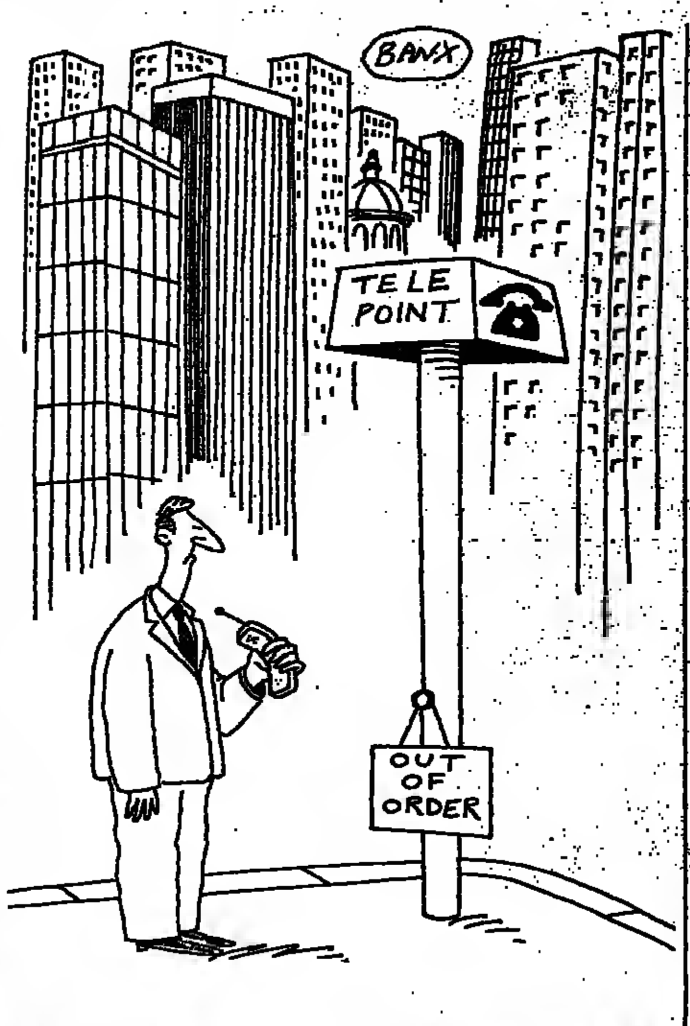
The equipment for telepoint is also cheaper. The handsets will cost less than £200 and the domestic base units will work out at about the same price. They will be sold through high street stores, telephone dealers and by the operators, who predict that the price will fall to less than £100 by the end of next year.

Altbough telepoint only offers a one-way service, within about 18 months handsets could be built which incorporate a pager. Indeed, one of the prime targets for telepoint operators will be the 615,000 people in the UK who already carry pagers. Combining the two could give them a poor man's mobile radio.

Most of the hype connected with telepoint has been for the public service because it is regarded as being more convenient than call boxes. However, the equipment could also come into its own in small offices, where np to six telepoint handsets could be linked to a base unit.

Tha receptlonist could answer the telephone and then transfer the call. Althongh only one person could use each line at a time, it would be a quick, cheap and flexible way of installing a small telephone system.

But perhaps one of the higgest advantages of the telepoint handsets will be their size and design. They are considerably smaller than most of today's cellular phones. As Moxley says, "you don't need to have a special suit pocket made to fit your phone."



International market beckons

Technical standards may not sound very exciting, but they will play a decisive role in the effort to cut the cost of telepoint phones in the UK.

The manufacturing volumes needed to reduce costs are likely to be available only if other countries in Europe are prepared to introduce the same services using the same standards. If this happens, the handset price could fall as low as £50.

International standardisation could also help to increase sales in the UK because the appeal of the service would be enhanced if one handset could be used in several countries.

France and West Germany have already decided to go ahead with trials of services using the UK's common air interface (CAI) specification. Other countries which have shown an interest include Finland, Austria, Australia and New Zealand.

UK equipment manufacturers would like to build on their initial success with the French and German operators by persuading international standards bodies to adopt CAI.

In Europe, the newly formed Etsi (European Telecommunications Standards Institute) is in charge of ratifying such standards. It has already approved a cordless telephone standard, known as Dect (Digital European Cordless Telepbone).

Like the telepoint services in the UK, Dect – which will not be available until the early 1990s – uses digital radio signalling. But it operates in frequencies around 1.8GHz, whereas telepoint uses 900 MHz frequencies.

Equipment incorporating the Dect specification is complicated and has many different features, so the telephones are likely to be expensive and aimed at business rather than domestic users.

The UK manufacturers' lobby is proposing that the CAI should be adopted as well. Because it is less complicated, it is a cheaper way of providing mass portable communications than Dect.

The decision on whether it should be adopted cannot be taken before a meeting planned for March 1990. Even then a decision may be deferred. However, UK interests are hoping that once the telepoint service is in use, more European manufacturers and operators will want to jump on the bandwagon and so join the lobhy for the CAI standard to be adopted.

But there are also worries that the water has been muddied by publicity given in the UK to yet another type of telephone service, called personal communications networks (PCNs), which will come on to the market in the early 1990s. European communications organisations may want to take a long hard look at the relative merits of PCNs and telepoint before they decide which option is best for them.

Tackling the riddle of the internal combustion engine

By Andrew Wiseman

Although the car engine has been with us for more than 100 years, it remains to a large extent a mysterious "black box".

Only the basic principles of what goes on under the bonnet – ignition and combustion of a mixture of fuel and air – are understood. The highly complicated and chaotic chemical reactions that occur in a running engine are still something of a riddle.

Car manufacturers throughout the world are spending large sums to find out more about the process of combustion. But it is not easy. A combination of aggressive gases and high temperatures makes it difficult to sustain delicate measuring equipment inside an engine.

True, designers have been able to raise the performance of engines (although these still convert less than 33 per cent of fuel energy into motion, losing at least 65 per cent as heat). But they have had much less success in improving the actual combustion process.

Even lasers, the latest tool used to study the problem, have had a serious disadvantage. They can identify various combinations of chemicals through their different fluorescences, but so far they have only been able to provide data about specific, limited areas of an engine at any one time.

This is about to change as a result of a procedure developed by Professor Peter Andresen, of the Max-Planck-Institute (MPG) for Flow Research at Göttingen in West Germany. He has been able to acquire the first live pictures of the diverse turbulent processes within a working engine and to study combustion in two dimensions, by measuring the distribution of gases, temperature and density.

The new method, based on laser-induced fluorescence, allows scientists not only to measure individual chemical substances which participate in combustion (qualitative analysis), but also their precise ratio (quantitative analysis). It has been tested at the Volkswagen works at Wolfsburg.

Scientists first rigged up several portholes around a standard engine and a special quartz window, near one of its four cylinders, for the laser. They used either a crypton fluoride laser or an argon fluoride laser, focusing it 2 mm below the cylinder head and 3 mm above a specially adapted transparent piston. The laser in no way interfered with the running of the engine.

To retrieve the information provided by differing fluorescences from the combustion chamber, a mirror guided the fluorescent light out of the engine, taking it past an image intensifier and a series of filters and via a glass-fibre connection into a camera. At the camera's heart was a CCD (charge coupled device) chip, which converted the incoming light signals into electric impulses. These were then electronically processed, digitised and fed into a computer or video system.

In future experiments, the Germans hope to use both lasers simultaneously and link them to two cameras.

The MPG has patented the procedure, which will be exploited by Garching Instrumente, one of its sister companies. The Ministry of Research and Technology has made DM 1.2m (£400,000) available for the building of a special rig at Göttingen.

"Only when you can see precisely and simultaneously what is happening during combustion, in various areas of the chamber, will it be possible to distribute fuel to its greatest advantage and reduce the formation of pollutants," says Andresen.

"We have already seen much more than we can explain," he adds, confident that improved research methods will ensure a much more efficient use of fuel.

The breakthrough has applications beyond the car industry. The Göttingen researchers have already been asked by the German Research Institute for Air and Space Travel (DLR) and Messerschmitt-Bölkow-Blohm to carry out wind tunnel tests on shapes flying at ultrasonic speeds and to simulate the return journey of the European spacecraft Hermes to Earth.

ARTS

Return of the red-hot lovers, pre-war . . .

Nigel Andrews on Festival films and a new Gone With The Wind

EDINBURGH FILM FESTIVAL

The 43rd Edinburgh Film Festival is the first to be run by *Times* film critic David Robinson. Swapping Wapping for Auld Reekie, Robinson has toughened up the festival no end. In an EFF now bristling with well-labelled subsections — New British Cinema, Lunchtime Animation, Young Film-Makers Competition — one has a better idea than ever before of what one is watching.

But I am not sure that one has a better idea of *why* one is watching it. The clinkers still get through: like Russia's *The Needle*, a post-perestroika tale of the Soviet drug culture (daring subject, dishevelled treatment); like America's *Jacknife*, an overwrought tale of Vietnam veterans starring Robert De Niro and directed by our own David Jones; or like the Boulting Brothers' hilariously bad early thrillers *Inquest* and *Trunk Crime*, trundled out in a "Britain 1939" retrospective, as if that were sufficient excuse.

Never mind. It is a miracle that any festival happened, after the year's alarms and excursions. (Robinson became sole director only when his joint appointee, Polish film-maker Krzysztof Zanussi, dropped out this month.) More marvellous still is the resilience of the festival's Hollywood connection, forged and strengthened by previous Edinburgh directors Lynda Myles and Jim Hickey. *Gone With The Wind* (more later), *Sex, Lies And Videotape*, *Talk Radio*, *New York Stories* and other top US wares came to town.

Best minor-key revelations from America were *Heathers* and *Pet Sematary*. The first is a high-school black comedy featuring murder, witty mayhem and pop-art visuals: *Kind Hearts And Coronets* meets *Prom Night*. *Pet Sematary* is the best Stephen King adaptation to date: a spooksome tale of pets and persons returning from the grave, directed with skewy Gothicism by Mary Lambert.

Even Edinburgh can do little to flatter European cinema today, which lies in intensive care amid the busy patter of doctoral feet. Finland's *Ariel*, directed by Aki Kaurismaki, is a bleak but watchable drama of crime and joblessness, with scattered shafts of dry wit. Joaquim Pinto's *Where The Sun Beats Down* is a Portuguese tale of gay love on a farm: stoical, sunburnt, hieratic. And Rudolf Thome's *The Philosopher*, from West Germany, is a piquant idea in search of a movie: the tale of a virginal young writer wooed into a *ménage à quatre* with three mysterious young ladies. Are they from another dimension? They say so. We never know. Teasing but etiolated.

British cinema too is running low on energy just now. At Edinburgh, anaemic art movies like Ian Sellar's *Venus Peter* or Timothy Neat's *Play Me Something* jostle with insubstantial charmers such as Colin Gregg's *We Think The World Of You* or Lewis Gilbert's latest Willy Russell adaptation, *Shirley Valentine*.

Gilbert, who directed *Educating Rita*, coaxes a fine replay of her stage performance as Shirley V from Pauline Collins. As the dumpy Liverpool housewife who talks to the wall and then goes to find life and love in Greece, Collins flutes and putts her sad-funny dialogue: a pillar of humanity in a film jerry-built, alas, too often out of clichés, around her.

Clinching in colour: Clark Gable and Vivien Leigh

Colin Gregg's comedy, scripted by Hugh Stoddart from a J.R. Ackerley novel, has moments of overweening sentimentality. (What would you expect when the main characters are Alan Bates and a dog?) But it is beautifully performed: by Bates, the dog, Gary Oldman (as Bates's jailed boyfriend whose Alsatian must be cared for), Liz Smith and Max Wall.

More ambitious British bids to collar the world market are *Fellow Traveller* and *When The Whales Came*. In the first a McCarthy-persecuted American writer (Ron Silver) working in '50s London learns of a friend's suicide and the FBI plot which drove him to it. Good idea; good acting; shame about Philip Saville's direction, which veers between telly-play banality and clumsy expressionism.

When The Whales Came has Paul Scofield as an old Scilly islander warning of curses if the eponymous mammals are destroyed. Neighbour Helen Mirren looks on sympathetically. But the curse seems to have been realised in the way everyone speaks with hand-me-down Mummerset accents. Michael Morpurgo wrote the script; Clive Rees directs, without persuading us that this is a real island in a real world.

With the likes of Scofield and Max Wall, Lewis Gilbert and the Boultings on show, Edinburgh '89 sometimes seems like "Wheel out the old troupers" year. Finest trouper of all was Miss Butterfly McQueen. She came, she squeaked, she conquered. She was, of course, the black maid Prissy — "I don't know nuthin' 'bout birthin' babies" — in *Gone With The Wind*.

. . . and post-war

GONE WITH THE WIND (PG)
Odeon Marble Arch

COUSINS (15)
Empire, Cannon Tottenham Court Rd

DEALERS (15)
Odeon Haymarket

CAMP THIAROYE
Metro

Gala-shown at Edinburgh in Miss McQ's presence, the new, improved *GWTW* opens in London this week. They have restored the colours to their pristine state, and the skin tones are revelatory. *Did you know that Scarlett O'Hara* and Rhett Butler did not have grainy, saturated, rubicund complexions, but faces just like you and me? Only better-looking.

True, I miss the grosser sunsets of the degraded *GWTW*: in which ketchup and purple vied for supremacy over Tara's skyline. (Indeed my finger kept twitching *towards an imaginary colour* knob). But the gains outweigh the losses. And 50 years after making its bow, the film is still a wonder: rollercoasting us through 3¾ hours of war, childbirth, love, death, famous dialogue and barnstorming acting. Will posterity come to love the newer, cleaner colours? Or will they hanker for the old? Frankly, my dear, as long as the film stays available, we don't give a damn.

Certainly the 50-year-old blockbuster beats the week's new commercial releases. *Cousins*, Americanizing France's *Cousin Cousine*, is the most painless. But do we want painlessness from a film about adultery? As happy-go-lucky Ted Danson falls in love with beautiful Isabella Rossellini, the screen fills with lovely pastel colours. "Ooh, aah," we sigh as the toilet-tissue visuals plus deodorant music combat the nasty odour of sexual duplicity.

For both persons, you see, are married. We are asked not to mind that, nor the fact that an adulterous fling by their apouses (William Petersen and Sean Young) inspired their own romance.

Instead, we are urged to goggle at Miss R's ever-radiant grin and gurgly mezzo voice, and to admire Mr D's densely expressive eyebrows, which unlike Mr D have a life of their own.

Meanwhile Danson's Dad (Lloyd Bridges) is keeping Danson's teenage son supplied with porn magazines, Rossellini's Mum (Norma Aleandro) is making a play for Mr Bridges. And Rossellini herself is making a play for English-asshe-is-spoke. ("Ret's a long time since I've been theese happy.") Directed by Joel Schumacher, the film is ludicrous and mildly entertaining at the same time.

Dealers is a British *Wall Street*. Or it tries to be. Written by Andrew Mclear and directed by Colin Bucksey, this rickety thriller dips us into the mad, mad world of foreign-exchange dealing. A City whizz-kid (Paul McGann) and an American whizz-girl (Rebecca De Mornay) are teamed up to save a loss-making London bank hy "running their dollar book." I am not too clear what this means, nor does the film explain.

Clinching in pastel: Ted Danson and Isabella Rossellini

The bewildered audience follows the soon-enamoured McGann and Mornay around the yuppie landscape — cruising south east England in taxis, limoes and sea-planes — and waits for the grand finale when the figures on the computer screens will go either right or wrong. In a film thin on characterisation and thick with cosmetic menace, the suspense is bearable.

Worth catching at the Metro: Ousmane Sembene and Thierry Faty Sow's *Camp Thiaroye*. Some longueurs but much power in this African-made tale of life in a Senegalese repatriation camp during WW2. Donbling as an allegory of the decline of colonialism, the film's dark and knotty intelligence is a relief in a summer when movies seem to be turning into comic strips or British movies vainly trying to claw their way across the Atlantic.

La Celestina

ROYAL LYCEUM THEATRE, EDINBURGH

If Spain is the theme, then the Edinburgh Festival does well to present a version of Fernando de Rojas' *La Celestina*, a work seminal to the Golden Age of Spanish drama. Formed as recently as 1986, the Compania Nacional de Teatro Clasico, based in Madrid, gave two performances in the Royal Lyceum Theatre, to be followed tomorrow and on Saturday with two performances of Calderón's *The Mayor of Zalamea*.

La Celestina is one of those well-known rarities you never see, although the British theatre has produced two versions in recent years: Charles Lewsen's at Sheffield and Robert David MacDonald's (*The Spanish Bawd*) in Glasgow. Jeanne Moreau has just played the meddling sorceress, the go-between of the title, in a five-hour Avignon production, and Joan Plowright will be directed in the role by Nuria Espert at the National Theatre next year. I learn, too, of another *Celestina* project to be "workshopped" soon at the Almeida in London.

Written in 16 acts circa 1500, the piece is the first example of how fiction unintended for the theatre is often its best material. The dominating bawd mediates between the ardour of Calisto and the haughty Jewess, Melibea, who has rejected his advances. The matter is resolved through potions, imprecations, an exchange of chains and girdles, and garden visits by moonlight; but it ends in freakish tragedy when Calisto falls off a ladder and Melibea jumps out of a tower.

On the way there are scenes of lusty low life supervised by Celestina, involving her servants and two whores, that are gandily Shakespearian in their comic texture and realism. As is usual in adaptation, all long philosophical digressions are cut, and the play speeds to its tragic conclusion from the moment Celestina is murdered by her servants impatient for their share of Calisto's payment of a golden chain.

One can hardly welcome the Spanish troupe as a crack ensemble, but they do lay down the plot with careful dignity and let rip when the blood lust is up. The pandering intervention to bring the servant Pármeno (Cesar Dieguez) to the bed of Areúsa (Pilar Barrera), for instance, could not be done with more buttock-heaving, breast-baring intensity.

But these moments are few and random, not denting the overall impression of a company doing a job of restoration, not re-invention. Instead of the pulsating life of the community, its taverns and stairs, its walls and attics — something we certainly got at the Glasgow Citizens' — the design of Carlos Cytrynowski is a beige tundra of undulating ramps, more evocative of sand dunes and horizons than of de Rojas' sexually buzzing beehive.

Although virile and good-looking, Juan Gea seems a bit long in the tooth for Calisto, though his Melibea, Adriana Ozores, has the right sort of dark, semitic disdain. What we lack is the dew and freshness on a love affair as doomed as Romeo's and Juliet's. As the bawd herself, Amparo Rivelles lacks fire and glee, and embodies the prevailing tone of the production by Adolfo Marsillach in her risibly transparent old lady's make-up and sedate propriety. Dressed like an off-duty nun, she sucks tamely on a pipe in two scenes and would not scare the pants off a flea in her witch-like invocations over the burning cauldron.

The simultaneous translation was a butchered garble of James Mabbe's great 1631 text, a poetic masterpiece in its own right and one which conveys, more than does this production, the vitality, rudery and Websterian excess of the original.

Michael Coveney

The Love of a Nightingale

THE PIT

"What is a myth?" demands one of the chorus of the audience. This signifies not concern for our welfare, couched in the well-known Royal Shakespeare Company lisp, but the imminent exploration of the tale of Philomele, her tongue ripped out by her ravisher, her brother-in-law Tereus.

This patchy, bathos-ridden, often entertaining and intermittently gripping adaptation by Timberlake Wertenbaker was reviewed on this page last year in Stratford by Michael Coveney. It now inhabits the Stygian darkness of the Pit, in the Acheron of the Barbican.

It begins unpromisingly: Christopher Fry with added sex. The royal sisters Procne and Philomele chat about men; the males strike whimsical attitudes in white shirts and cream slacks. Rough, northern King Tereus from Thrace attends a performance of *Hyppolitus* which, we later learn, raises doubts about conventional morality in his untutored mind. The episode marks the first of the many moments of unease over the author's humour — intentional or otherwise — and the deflating, undercutting effect this uncertainty has on the story - not to mention the acting, where chief victim is Jenni George's embarrassingly knowing and coyly smirking Niobe.

Any feminist point Ms Wertenbaker has in mind is vitiated by Peter Lennon's playing of Tereus as a wimpish suburbanite, a very naff version of Thracian machismo complete with the current RSC cockney overtones. On second thoughts, this may be exactly what was intended; though one would feel easier if most of the rest of tha cast surpassed the provincial amateur dramatic society level to which company casting now permanently aspires (usually in vain).

There are exceptions. Katy Behean gives her best performance yet as Philomele. She starts perilously near fey caricature (the writing's fault) as the sexually curious adolescent, reacting to the murder of an honest sea captain by paddling ("Tread the moonlight with your toes") in bemusement as poetry proves inadequate to life's grimness. The post-rape Philomele, pouring out her blistering contempt in a tirade of loathing, finds her in magnificent form technically and emotionally: a generous, roaring attack on our emotions, beautifully shaded and varied.

As her elder sister, wife of the rapist, Marie Mullen comes into her own. Miscast in *The Man of Mode*, misdirected in *The Man who Came to Dinner*, she shows she can combine a drawn, tense dignity with controlled rage; and, *mirabile dictu*, Miss Mullen does not shout once.

Gary Hynes' production sums up the play itself. Sporadically thrilling, as in such passages as the Bacchic dance with the life-size dolls that reveal the history of Philomele's tragedy; sometimes bathetic, as in the writhing callisthenics that launch the scene; and not avoiding such traps in the writing as Niobe's comment on the violated and mutilated heroine: "Truly I pity Philomele" — which must rank with Mélisande's "Je ne suis pas heureuse" as one of drama's riskiest understatements.

Ultimately we are moved. But then, as with the same author's *Our Country's Good* at the Royal Court, Ms Wertenbaker has loaded her dice by picking a writer-proof story.

Martin Hoyle

Alastair Muir

Katy Behean in *Tha Lova of tha Nightingala*

Veterans' Day

THEATRE ROYAL, HAYMARKET

It is Veterans' Day in a Californian military hospital and the President is coming to issue special gongs. Donald Freed'a play assembles three survivors of three main wars (no-one is counting Korea): a fleet-footed used car salesman, John McCormick Butts (Jack Lemmon), who has made his million but whose stomach has never been the same since the Pacific; the most highly decorated serviceman in Viet Nam, the lumbering hero Walter Kercelik (Michael Gambon); and a wheelchair-bound mute invalid from the First World War, Leslie R Holloway (Robert Flemyng).

As a development of the old argument that the people most damaged by war are the ones who inflict the most damage, Freed's play is not all that hot. But the central nerve of the action stems from a discussion of paranoia and conspiracy theory when it emerges that a plot is afoot to assassinate the President. As in Freed's *Circe and Bravo*, a cat and mouse play between a suicidal, dypsomaniac First Lady and her Secret Service bodyguard, menace and surveillance are the dramatic weaponry in a battle of words that often seems cloned from Pinter. Another leaf has been taken out Simon Gray's book: old Leslie utters one final cry of pained rage after sitting silent for two hours, just as Michael Redgrave did in Gray's *Close of Play*.

At this point Eileen Diss's severe institntional interior has been lit up with a back projection of an infinite vista of white crosses. Leslie was a mutineer in the ranks, one of the wounded thousands whose anger at the Battle of the Somme was expressed by the French soldiers shooting their officers. Kercelik, who takes over the play as its conscience and catalyst, also sbot some of his own men and reveals the proposed murder weapon nestling in Leslie's grip under the hospital blanket. Leslie is a vegetable with a mission, a fire banked down for 50 years with valium and librium.

I have to confess that in spite of these revelations, mnch of the short evening is heavy going. Kercelik projects a paranoid vision of the Defence intelligence Agency and the National Security Agency mopping up warped soldiers just as he mopped up the Viet Cong. The mounting hysteria of Kevin Billington's production is fed by a welter of confusing detail about security and the thought police, the effect of which is to boggle the spectator's mind while reducing Jack Lemmon to an emotional pulp. The disabusing of imperial pride starts with the odd reflective prayer Gambon shoots to the theatre roof early on, asking God to improve America and all its flaws. And we recall the pre-curtain-np medley of Sousa marches when Kercelik intones that military music is to music what military justice is to justice.

Even more sinister is Gambon's climbing majestically on a chair to wrap a dark crimson cummerbund around his oak-like torso and call for his medal. Tbe performance expands, like his waist, to incorporate hardening clues of menace and madness, while Lemmon dances brightly to disillusion around him. Butts is initially a figure of Second World War clicbé, niftily picking out period favourites on the piano (Lemmon is a fine jazz pianist), excoriating the effing Japs and touting his letter of commendation from Bob Hope. "A man can't start over in America?" he asks, incrednlously. "Not any more," replies the unforgiving Gambon.

With Robert Flemyng's feat of concentration and the meticulous playing of these two, the evening is redeemed by acting. Gambon and Lemmon remind me of Tynan's description of Alfred Drake and Robertson Hare as "Belch and beg-pardon," the one a savagely immutable vulgarian witb a sad catch in his throat, the other an impish apologist for the good old boy values.

Michael Coveney

ARTS GUIDE

August 18-25

EXHIBITIONS

London

The Whitechapel Gallery. Euan Uglow — a retrospective of the paintings of the nude by a painter who is at once the most severely objective and the most seductive of our painters of the figure. Until September 3; closed Mondays.

Paris

The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793.

Since then, the modernisation of the museum's infrastructure became a matter of utmost urgency and the pyramid's centralising role is an important step towards the completion of the project of the Grand Louvre planned for 1995.

It will involve the moving around of 800 of the exhibits, but the three stars — the Mona Lisa, the Victory of Samothrace and the Venus de Milo will remain firmly in place. Open 9am-6pm, Mon and Wed until 9.45pm. closed Tue.

Centre Georges Pompidou. Matisse drawings. Some 100 works retrace the painter's creative development from the post-academic beginnings to the *fauve* period and to the greatbrush-drawings of the 1940s and 1950s.

The mixture of accomplished masterpieces and of rapidly dashed off sketches , adds a refreshing flavour to the exhibition. Closed Tuesday, ends Aug 27.

Bibliothèque Nationale. 1789 Le Patrimoine libéré. Rather than inheritence liberated, words like confiscation and plunder would describe more accurately the manner in which the 200 treasures, chosen from hundreds of thousands of documents, reached the Bibliothèque Nationale from churches and palaces during the revolutionary years. 52 rue de Richelieu. Ends Sept 10.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown in rotation and 60 engravings is as impressive by the judicious selection of exhibits, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. Ends Nov 19 (026-223978).

Brussels

Passage 44. Brel et les peintres - works by 20 painters inspired by Jacques Brel (Ends Sept 2) 44 Bd. du Jardin Botanique 218 26 75.

KB Gallery James Ensor Etchings: works from the Franck Collection. (Ends Sept 10) 19 Grand Place.

Halles St Gery - Avanti, Bertrand Neuman (Ends Sept 9), Place St Gery.

Amsterdam

Amsterdam Historical Museum. A selection of 70 design drawings from the private collection of art dealer Lodewijk Houthakker. Ends 17 September.

Vienna

Museum for Applied Arts is celebrating its 125th anniversary with an exhibition focusing on the impact art has had on industrial design in Austria. Ends September 4.

Secession. Never to be accused of neglecting the younger generation of Austrian and international artists, this gallery is exhibiting the Vienna artistic scene during 1989 as well as a marvellous photographic exhibition by Astrid Klein. Until August 27.

Schloss Grafenegg, in Lower Austria. Besides a marvellous place to visit, there is a wonderful exhibiton of children's books and fairytales. Until September.

The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque architecture in this part of Europe. Until November 15.

Museum for Applied Arts is celebrating its 125th anniversary with an exhibition focusing on the impact art has had on industrial design in Austria. Ends September 4.

Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art. Uotil Oct 2.

Museo Napoleonico. Eighteenth-century Roman Theatre and Carnivals. Life was anything but comfortable for impresarios under the oppressive papacy of Pius VI, with ruin continually staring them in the face through forced closure by unpredictable papal censors. Ends Sept 30.

Turin

Russian and Soviet Art: *1870-1930.* Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. Ends October 20.

Spoleto

Rocco Albornoziana and Church of S. Nicolo. 17th century painting in Umbria. The exhibition is the fruit of nearly 20 years research work by Professor Bruntoscano and a group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be examined close-to in two settings (of which the latter is by far the most satisfactory). Not all are by local painters: a notable exception is fine work by the French painter, Jean l'Homme (signed and dated 1631), and some are discoveries, such as an unknown, Francesco Furini.

One of the most beautiful is the Maestro di Serrone's arresting and enigmatic Workshop of Sangiuseppe where Christ (with an almost victorian head of curls and roughly eight years old) standing between his parents forms e rough cross from *wood fragments from* the work-bench, and binds them together with thread from his mother's sewing-box, a *mysterious* smile on his face, while his parents' eyes meet in anxious premonition. Ends Sept 23.

Venice

Museo Correr. French impressionists from the Melloo collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

Palazzo Grassi. *Italian Art*: 1900-1945. A much-amplified exhibitioo covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten. An attempt is made to put the works into a clear political and social context, emphasising *links* with contemporary literature, music and cinema. The exhibition ends with two blown-up stills from films by Visconti and Rossellini. Ends Nov.

New York

Whitney Museum. A *special* exhibit from the museum's extensive holdings of Edward Hopper highlight the realistic painter's Paris and domestic scenes among the 150 pieces in all media. Ends Nov 5.

Washington

National Gallery. The first *exhibit of the* complete set of Mary Cassatt's colour prints includes familiar images of mothers and children from the American impressionist's oeuvre. Ends Aug 27.

Tokyo

National Museum. Heijokyo Exhibition. Important archaeological finds excavated in the past 30 years in Nara, where Japan's capital and imperial palace were located in the eighth century. Closed Mondays.

National Museum of Modern Art. Art of the Showa Era. Paintings, sculpture, prints and pbotos by Japanese artists, all executed during the reign of the late Showa Emperor (1926-1989). Closed Mondays.

Teien Museum. Takeji Fujishima (1867-1943). Fujishima's work reflects the course of European Modernism but remains quintessentially Japanese in its delight in decoration for its own sake. The paintings on show include, landscape, still life and portraits. Closed Mondays.

Idemitsu Museum. Hoan Kosugi. Kosugi's early work was inflnenced by Impressionism, but in later years he created a more Japanese style in sumie and *watercolour*. His favourite subjects were flowers, birds and people. Closed Mondays.

New Bintley work for Royal Ballet

David Bintley is to create his first full-length work for the Royal Ballet in 1991. Based on *Cyrano de Bergerac*, it will be designed by Hayden Griffin and set to a score by Wilfred Josephs. The world première is scheduled for May 1991. Bintley was appointed Resident Choreographer of the Royal Ballet in 1986.

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The augury of UK trade

THE MORE THE UK borrows,the richer it gets. In 1988, the current sccount deficit of the UK amounted to £14.6bn, a massive figure by any standards. A large reduction in the net external halance of £90.1bn et the end of 1987 would be expected, but the reverse was the case. According to the Pink Book on the balance of payments, the UK's net external sssets rose to £94bn by the end of 1988.

UK residents have pulled off this remarkable trick because they have learned, from painful domestic experience, that returns from supposedly safe investments like bank deposits and bonds are far below those to be expected from real assets. The UK as a whole borrowed close to £15bn and yet grew ricber because tbe market value of UK assets rose faster than that of UK liabilities.

UK net external claims, in the form of direct and portfolio investments, were £124.8bn at the end of 1988, while the balance on other assets, mainly net lending, was minus £30.8bn. Net borrowing by the UK private sector was no less than £62.4bn st the end of 1988. To be sucb a net borrower of financial assets and a net investor in a diversified portfolio of real assets bas once more proved profitable.

Foreign confidence

It is wrong to stress tbe direct relationship between the net asset position of the UK as a whole and its ability to finance a current account deficit of the scale revealed yesterday. Private assets are not directly available for this purpose. None the less, the existence of a strong net asset position is one reason for continued foreign confidence in the economy.

A considerahle amount of confidence is needed. The current account figures for July are of modest significance in themselves, but they confirm that the current account deficit is running not far short of £5bn a quarter and may end up over £18bn (or 4 per cent of gross domestic product) for the year.

These figures look daunting, but – quite apart from the strong net asset position – there are otber reasons for expecting tbe borrowing to continue without vastly higher rates of interest. One is the strong financial position of the UK public sector. Another is the determination of the Government to reduce inflation, though this determinetion is still to be tested by the slowdown in demand whicb will become more obvious over the next twelve months. Last but not least there is the dynamism of investment as well as the reasonably good performance of exports.

Export volume

In 1988 real private non-residential gross fixed investment rose by almost 18 per cent, following an increase of 14 per cent in 1987. Tbe volume of exports of manufactures continues to expand, despite generally high rates of capacity ntilisation. The increase in the volume of such exports (excluding the erratic items) was 5¼ per cent over just the last two quarters. The growth of investment in the past itself means that this performance should be sustained.

Imports of cepital goods accounted for about 30 per cent of the increase in the value of imports of manufactures (apart from the erratic items) since the last quarter of 1988. While the growth of such imports is certainly not the only explanation for the continued growth of imports of manufactures, tbey beve been tbe most dynamic single component during 1989.

In short, the UK continues to possess e strong net asset position abroad and a strengthening one et home as well. Given confidence in the determinetion of the Government to lower infletion once more, financial markets are likely to provide the time required for externel edjustment. Tbe important question is not the tolerance of financial markets, hut the flexibility of labour markets. It is wbether the reduction in inflatiou rightly desired by the Chancellor can be brought about without a severe squeeze on corporate profitability and a sharp rise in unemployment. On this, the auguries are looking less promising. But it is this that will determine whether the UK is to adjust with sustained growth, or just adjust.

The ANC's olive branch

THE ORGANISATION of African Unity is not renowned for its achievements in solving the continent's political and economic problems. Yet its declaration on South Africa issued in Harare this week deserves to be taken seriously. It raises the prospect of a suspension of violence by the African National Congress (ANC) in return for concessions from the South African Government, sets out a reasonable and practical framework for constitutional negotiations, and invites the international community to help in the country's transition to democracy. This olive branch should be seized by Pretoria. A suitable opportunity comes next week, when Mr F.W. de Klerk, South Africa's acting President, meets President Kenneth Kaunda in Zambia.

Appropriately enough, it was Mr Kaunda who 20 years ago initiated what was called the Lusaka Manifesto, an appeal by African leaders for a peaceful resolution of conflicts in southern Africa. "We would prefer to negotiate rather than destroy, to talk rather than to kill," said the manifesto.

The message in the Harare document, issued in the name of the OAU, but drafted by the ANC, is not intrinsically different. Today it may have more impact. Black unrest, heavy defence spending, and the impact of sanctions, are taking their toll and have shaken white South Africa's confidence, while the leaders of the black-ruled front-line states and the ANC are also under pressure.

Decades of struggle

Two decades of independence struggles and post-independence destabilisation by Pretoria and the rebel movements it has fostered, have drained the entire region of its strength: South Africa has bludgeoned its neighbours into submission. The ANC has been forced to remove its guerrilla bases from Mozambique and Angola, and is limited to little more than a diplomatic presence in Botswana, Zimbabwe and Zambia. Meanwhile the Soviet Union has been reappraising its policy towards South Africa, and has sent a series of signals to the ANC: it urges the merits of a negotiated settlement and a mixed economy, and stresses the need to allay white anxieties.

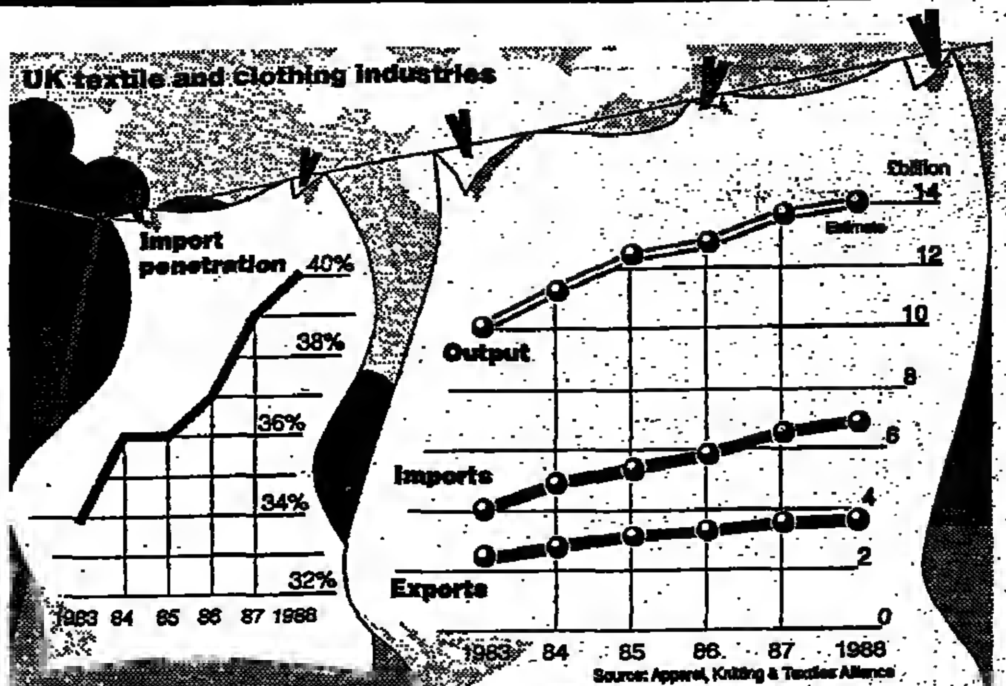
It is a background which should help shift South Africa's blacks and whites away from confrontation and towards pragmatism. The Harare declaration, remarkable for its conciliatory tone as much as its content, could be a first step in this process. The ANC's terms for opening negotiations are not new: release of political prisoners, freedom of political activity and an end to the state of emergency. But the document goes on to couple these demands with an offer to suspend hostilities and take part in "a mutually binding ceasefire," giving South Africa the possibility of e respite from violence.

Absence of ideology

The clearest evidence of ANC pragmatism comes in the outline of a post-apartheid constitution. Beyond asserting the need for adult franchise, a common voters' role, and an entrenched bill of rights, the document is remarkably open about the shape the constitution should take. The outline also steers clear of ideology. The economic policy it advocates simply urges a system which "advances the well-being of all South Africans."

The Harare declaration thus tackles two issues which are critical to the release of Mr Nelson Mandela, the jailed ANC leader: it establishes both climate and framework for the negotiations in which he is expected to play a key role.

The declaration also presents an opening to the international community. There is, quite rightly, no suggestion that South Africa's negotiations should directly involve third parties in the way that Britain presided over Rhodesia's independence, or the United Nations oversees the independence process in Namibia. But the OAU and the ANC do envisage a role for outsiders, mutually agreed by the negotiators, during the transition to elections. It may now be time to think about the help that could be given, ranging from the provision of constitutional expertise to a package of economic assistance. No one expects such help to be requested soon, but to offer it would be to reinforce the Harare message.



Alice Rawsthorn on the troubles of the UK textile industry

A time for shrinkage

Benson Turner, a small spinning mill on the outskirts of Bradford, West Yorkshire, looks like the model of a modern manufacturer. In the 1980s it has invested heavily to renew almost all its machinery. In theory it should be flourishing. Instead it is struggling.

Since the beginning of last year Benson has been beset by problems. It has suffered from the impsct of increasing imports and a decline in demand on its customers in the east Midlands knitting industry. It has also fought against a flood of cheap Turkish imports.

In the past two years Benson has seen its sales fall from £17m to £14m and its prices by 10 per cent. It is still profitable but only after two years of redundancies, short-time working and economies like cancelling new company cars.

Mr David Sutcliffe, who runs tbe mill his grandfather founded, is resigned to yet another difficult year. "We did everything we could to make the company successful, but when business is as bad as this, what can we do?"

Benson Turner is not alone. In the past year almost every area of the UK textile industry has been affected by import competition and depressed demand. Since last summer more than 30,000 textile jobs have been lost.

The immediate challenge for the industry is to struggle on until trading conditions improve. But it must also assess the longer term implications for the future of textile production in Britain.

With a workforce of almost 500,000, the industry is extraordinarily complex in structure and scale. It is really a collection of individual industries: each with its own traditions and regional affiliations. The textile companies range from Coats Viyella and Courtaulds, international gronps witb high-tech production plants, to dingy sweatshops in the back streets of inner cities.

Textiles has always been a volatile sector. It is not only vulnerable to shifts in consumer demand, but also to sudden surges of imports from new industries in emerging economies and to the fluctuations in exchange rates that affect international trade.

When tbe pound weakens against other currencies – especially the US dollar, to which most low-cost textile producing countries in the Far East link their currencies – UK companies are better able to compete against imports and to boost exports. When the pound strengthens, they are less competitive at home and find it more difficult to sell overseas.

The worst possible situation is when an unfavonrahle exchange rate is accompanied by e decline in consumer demand. It was this combination that caused devastating damage in the recession of the early 1980s and that threatens the industry again today.

The influx of textile imports started to increase in the autumn of 1987. Initially the only areas of the industry to be affected were those where the increase in imports was exacerbated by other problems. The acrylic spinners, like Benson Turner, also faced e flood of cbeap Tnrkisb imports; the hand knitting yarn spinners were in the throes of a cyclical downturn in demand.

Other areas were relatively resilient for most of 1988 although overall output fell in real terms for the first time in five years. But by the beginning of this year the whole industry was struggling against a drop in consumer spending, an unstable retail sector and a continuing increase in imports.

Different areas of textiles are affected by these factors to differing degrees. The main problems for the clothing industry are the growth of imports and the instability of retailers. The home textile sector is less exposed to imports, but vulnerable to the impact of increased interest rates on consumer spending.

The rationalisation of the industry after the recession of the early 1980s – when excess capacity was weeded out and plants were modernised – was intended to make it less exposed to sudden changes in the economic environment.

In the clement climate of the mid-1980s, wben sterling was competitive and consumer spending was soaring, the rationalisation seemed to have worked. The textile companies could claim impressive improvements in productivity and healthy profits growth. Textiles began to be talked of as an industry in resurgence.

It is undouhtedly stronger than in the early 1980s, but the rationalisation did not go far enough. There is still too much uncompetitive, commodity capacity in the UK. Mr Jeff Hewitt, director of group strategy at Coats Viyella, said some of the plants that closed in the past year were not economic even before the present crisis.

UK textile companies are still not as competitive as those in Italy and West Germany. A recent report by the National Institute of Economic and Social Research painted a dispiriting picture of the comparative competitiveness of women's wear manufacturers in Britain and West Germany. The British trailed behind in almost every area from quality of training to standards of machine maintenance.

The industry also suffers from structural weakness. The tradition of small companies and private ownership means that the level of profitability in textiles was relatively low even in a favourable environment.

Now the trading environment is far from favourable and the textile companies have announced a stream of lacklustre results. The level of takeover activity has accelerated, culminating in the £395m hid by Coats for Tootal, now being investigatsd by the Monopolies and Mergers Commission.

Barely a week goes by without the announcement of yet another round of redundancies. There have been more than 6,000 job losses at Coats and 4,000 at Courtaulds since the start of last year. Only last week the Response Group closed four knitwear factories in the Scottish Borders with the loss of nearly 300 jobs.

But the outlook is less forbidding. Although prospects for consumer spending are as uncertain as ever, the pound is much more competitive against the dollar. It will take about six months for the change in exchange rates to affect retail buying patterns, but Mr Martin Taylor, the director of Courtaulds responsible for textiles, is confident that trading conditions will be easier by the end of the year.

None the less the benefits of a stronger dollar may be tempered by e slowdown in US consumer spending, which could encourage Far Eastern clothing producers to divert consignments to the UK. And in the meantime the cuts and closures seem set to continue.

The critical question is how the current crisis will affect long-term development. Even without the threat of adverse exchange rates and sluggish consumer spending, the next decade seems set to be a challenging time for UK textiles.

One problem will be the uncertain state of international trading if, as is expected, the Multi-Fibre Arrangement, which regulates the world textile trade, is phased out in two years' time. On the domestic front, the forthcoming fall in the number of school-leavers poses serious problems for an industry that has hitherto benefited from lower labour costs than most of its European competitors.

The cost of remaining competitive in international textiles is higher than ever. In the early 1980s the industry was so inefficient that it was relatively easy to improve productivity. But the scope for easy improvements has now been exhausted. It remains to be seen whether the present crisis will affect the industry's confidence in future investment. Capital expenditure was cut from £470m in 1987 to £452m in 1988. Most companies admit privately to having made more cuts this year.

The emphasis is on consolidation. Courtaulds has almost completed restructuring, but Coats is still in the thick of it. As for Beneon Turner, its mechanics have just finished moving machinery from one spinning mill to another so that it can cut capacity by a fifth and close a mill. Two or three years ago the company was thinking tentatively about expansion. But that all seems a long time ago.

OBSERVER

The sacred and secular

■ The hart, according to the hymn, pants for cooling streams when beated in the chase. In London, et least until recently, the secular beast has mostly mostly been worn out in the pursuit of property. This tortuous analogy, assuming it survives the editor's clerical scrutiny, is about to fuse into one in the borough of Chelsea and thereby hangs a complicated one.

Residents of Chelsea have either been eating a lot of rabbits recently or will confess to have noticed many of the breed in flight or in a state of severe disorientation. This is because they have been evicted from the largest non-monarchical private garden in London, exceeded in size only by that inside Buckingham Palace. They are on the move, or in the pot, because their undisturbed home for the last eight years will shortly be put on the market.

The Chelsea old rectory, 20 rooms, 5,000 square feet, 2½ acres, and likely to carry an asking price of £8m plus, has stood empty ever since the architect brother of Ghazi Al Rayes, the Kuwaiti ambassador to Britain, paid the London Diocesan Fund £1.5m for a long leasehold. One condition of the church lease was the restoration of the rectory, but ambitious and locally controversial plans to combine restoration with the addition of no less than an extra 35,000 square feet of living space were never translated into action. In the meanwhile, the house and garden stood empty, looked after only by caretakers and rabbits.

Last year, exhaustive negotiations between the leaseholder, his French mortgage bankers, the church and the council seemed on the brink of arranging a sale. But nothing happened for months with the result that the patience of the French bank – Banque Arabe et Internationale d'Investissement (BAII) – has worn as thin as the building's fabric. It now emerges as the vendor, as subscribers to the glossy property magazines will discover next week, acting through joint agents Knight, Frank and Rutley and Cluttons. Richard Crosthwaite, of the former, confirms this scoop and the price, but warns that renovation is likely to cost another million or so "on a very conservative basis." No provision appears to have been made to compensate the rabbits.

The Irish

■ Over the years people in many parts of Africa have become used to hearing the lilt of Irish missionary priests. But roles may be reversing in the Roman Catholic church. Cardinal Tomas O'Fiaich, head of the church in Ireland, says that Irish vocations to the priesthood are dropping at an alarming rate. The day may not be far off, the Cardinal said at the weekend, when black missionary priests will be ministering in Irish parishes.

To this encouraging news should be added, on the principle that it will never find a home elsewhere in the paper, that Mr Nolan Ryan, whose extraction cannot be doubted, did indeed strike out his 5,000th baseball batter on Tuesday night. It is, however, of no consolation to the English cricket team, to which we commended him earlier this week and which is now completely devoid of fast bowlers, that he lost the game.

The sinners

■ High-minded characteristics, such as the pursuit of a good book, are generally considered alien to the international bond markets. Therefore encouragement was drawn late last week when a Eurobond trader was observed deep in Dickens.

His colleagues in the gilts department, who do not have much else to do these days, debated which work it was. For instance, was it Bleak House? Or Hard Times? Or was it that history of the UK gilts market, The Old Curiosity Shop?

The publicans

■ Less elevating was the submission of Fleming, the upper-crust merchant bank, to the MMC in the matter of credit cards. The firm, which issues credit cards to "home owners with a regular income", urged retention of the so-called no discrimination rule – which stops shops offering discounts for cash payments. It argued that the rule was in the public interest "because it sensibly discouraged the use of cash," more of which in circulation "would lead to more crimes of violence."

Leaving aside the observation that some consumers may think that the interest credit card companies extract from cardholders is criminal, if not actually violent, Fleming might just have consulted other members of its distinguished financial family. Jardine Fleming's Tokyo office, for example, would undoubtedly have reported that though the use of credit cards is rising rapidly the typical Japanese still carries lots of cash and rarely gets mugged. Conversely in the US, people now carry less money – and still get mugged. The fact that British athletics entrepreneurs carry a lot of cash and have it stolen does not a national causal connection make.

But another suggestion from Fleming could make consumers much more aware of what they are forking out for the privilege of a card. The bank thought a new subject should be added to the school core curriculum – personal finance. Good idea, but on a teacher's pay who would be qualified to take the courses?

The charitable

■ This is a kind column, so a veil will be drawn over the identity of the author of the following letter, here reproduced in its essentials.

"Dear Sir/Madam; We understand that you were one of the official photographers allowed at the presentation by the Queen of the Burke trophy at this year's Royal Show. Would you please let us know if you have any photographs we could see, as unfortunately the ones we have all show the Queen with her back to the camera....

The metaphysical

■ The new head of corporate communications at Security Pacific Hoare Govett is a Mr Kafka.

The retired chief barber of the RAF is a Mr Trimmings.

Jurek Martin

BOOK REVIEW

Pole position for the insider

The Insider-Outsider Theory of Employment and Unemployment
By Assar Lindbeck and Dennis J. Snower
MIT Press, Cambridge, Massachusetts

The mile between St Paul's Cathedral and Brick Lane, in east London winds through some of the sharpest divisions within the increasingly segmented British workforce, from Porsche-driving brokers to black women contract cleaners and unemployed Bangladeshis.

This book is unlikely to create much of a stir in Brick Lane. But its central concern is to provide an economic explanation of why some people are excluded from regular employment.

Its simple message is that the divide between the insiders and the outsiders of the British labour market may be self-reinforcing. This divide explains why so many people remain unemployed, years after the recession of the early 1980s which threw them out of work.

Neo-classical economic theory has found it particularly difficult to explain why high unemployment has lasted so long. The rise in unemployment in the early 1980s should have corrected itself, as unemployed workers competed for jobs by bidding down wages. This competitive pressure would have forced employed workers to moderate wage demands or face being replaced by their unemployed counterparts. Assar Lindbeck and Dennis Snower, in a series of articles since 1984, have played a leading role in developing the main alternative explanation: the insider-outsider theory of persistent unemployment.

Their book is a clear, comprehensive statement of the theory. Its regular diet of equations and formal models will satisfy trained economists. But they are not so intimidating as to put off the general reader.

The insider-outsider theory holds that the driving force for wage claims is not supply and demand in the general labour market, but the expectations of insider, employed workers. The outsiders – the long-term unemployed and unskilled part-timers – have no seats at the bargaining table of large, profitable, often unionised companies.

The insider workers have considerable leverage over their employers because of the costs of labour turnover. It is quite costly to make a skilled, full-time worker redundant and then recruit, hire and train a suitable replacement. If insider workers pitch their wage claims just below these turnover costs, it makes little sense for employers to incur higher costs to replace them. Thus turn-over costs create a form of economic rent, which insider workers can extract from their employers.

Insider workers are in pole position in the labour market. In the wake of the redundancies in the early 1980s smaller workforces have been able to set pay so that the benefits of higher growth flow to the employed in the form of higher pay rather than to the unemployed in the form of jobs.

This is not a complete explanation of the state of the labour market. Classical economic theory might well explain what happens in the much more competitive, secondary labour market of small companies, self-employment and unskilled jobs.

But the insider-outsider approach seems a much more fruitful explanation of persistent unemployment than familiar classical theory, because it chimes with a set of developments which have shaped the labour market of the 1980s. The power of the insiders in pay bargaining within companies, and the exclusion of the disenfranchised outsiders explains why there is little downward pressure on pay. Insider workers are in a better position than they were to foresee improvements in business performance which they can exploit. Big employers now pride themselves on providing their workers with a flow of business information.

The authors note a series of gaps in the theory. For instance, it needs to be integrated with an overall macroeconomic theory. But two others stand out.

First, like most economists they put too much emphasis on the role of unions in setting pay. In the 1980s in the UK it is the largely non-unionised financial service sector which has been at the head of the pay league.

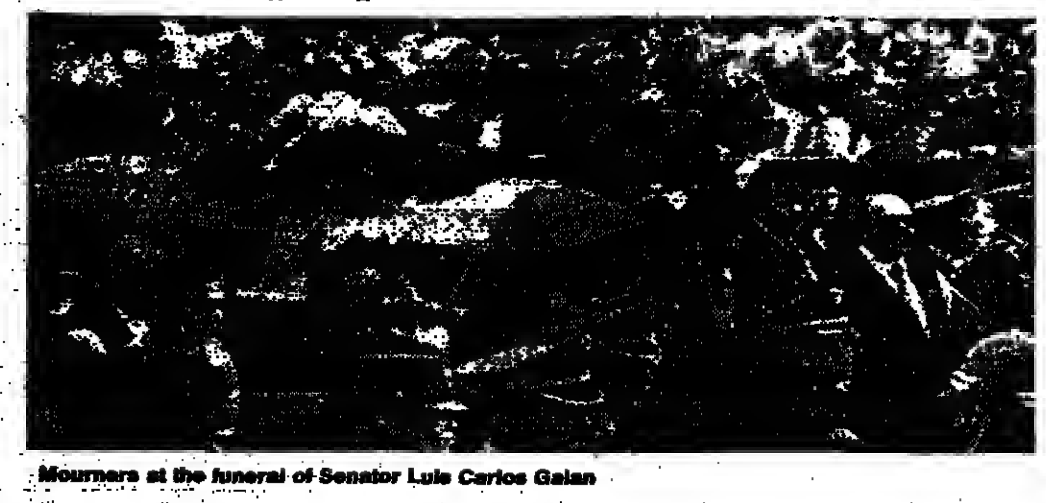
Secondly, they underplay the role of managers in pay setting. Employers' concessions to insider wage claims is only partly due to labour turnover costs. They have also been quite happy to buy productivity changes and greater effort, particularly if their companies have protected positions, within profitable product markets. Repeated surveys have shown that many employers just do not like the long-term unemployed, regardless of the level of wages they are prepared to work for.

Employers are creating smaller, more skilled, better paid workforces, not the workers themselves. Since the 1920s the car industry has been a major employer of semi-skilled labour. But in the 1990s this is almost certain to end as car companies seek to create much smaller, versatile workforces. This is not a response to recession, but a structural change in the advanced economies. It may be that slow adjustment to this sort of change is as much a cause for persistent unemployment as the 1980s recession.

Charles Leadbeater

Sarita Kendal reports on the prospects of the crackdown on Colombia's drugs mafia

A last chance to break free



Mourners at the funeral of Senator Luis Carlos Galan

In the space of three days, Colombia's cocaine traffickers have assassinated the leading presidential candidate, a police chief, and a magistrate investigating drug crimes. In other words, they struck at the hearts of the political establishment, the security authorities and the judicial system.

Apart from the organisation needed to shoot down three targets in different parts of the country, an onslaught on this scale is tantamount to war against society and the state. This was how President Virgilio Barco interpreted it when he said last Friday night: "It is not an offensive against the government or against justice. It is a war on the country."

What has followed so far is a pattern already familiar to Colombians. A state of siege has been decreed to combat terrorism. The 1979 extradition treaty with the US under which Colombian nationals can be handed over to the American judiciary has been revived. Vast operations to seize the strongholds of the drugs lords have been launched, and, again as usual, none of the real kingpins has been arrested.

But there are two elements which could break the seemingly unstoppable downward spiral into violence this time. One is the ground covered by the decrees, suggesting greater government resolve. The other is public anger at the murder of Senator Luis Carlos Galan, the popular young politician tipped to succeed President Barco next year.

The ostensible targets of the crackdown are the Medellin Cartel, which, led by Pablo Escobar, Gonzalo Rodriguez Gacha, and Jorge Luis Ochoa, is the oldest, biggest and most violent of the trafficking organisations. Its main rival, Gilberto Rodriguez Orejuela's Cali Group, is the low key business-suited version of the notorious Cartel. At one time, it looked as if the traffickers simply wanted to legalise their assets, and be absorbed into Colombian society. But in trying to impose this, they have now taken on the state.

The authorities have long been hamstrung by the way these trafficking groups hide behind legal figures when registering properties, businesses and bank accounts. Now these front men are liable for five to 10 years in jail, and the assets can be confiscated without complicated court procedures. The onus is now on the proprietors of the aircraft, cars, ranches and houses to demonstrate their innocence.

Likewise, extradition can now be agreed by the executive, freeing the judiciary of the sort of responsibility which the cocaine barons have ensured has led to some three dozen judges being murdered and ten times that number being investigated for taking bribes — the two stark options open to Colombian magistrates in drugs trials.

Extradition became a central issue after the Minister of Justice, Rodrigo Lara Bonilla, was killed by motorcycle gunmen in April 1984. A co-founder of the New Liberalism political movement with Senator Galan, Mr Lara was the first government figure to name the top traffickers. He ordered raids — with the biggest captures of cocaine ever — on huge growing and processing complexes in the south-eastern jungle, and paid with his life. Galan was a pall-bearer at his funeral.

The traffickers fought the extradition treaty with all their violent might. Few people were prepared to defend extradition in public by the time a much-threatened Supreme Court declared the procedure unconstitutional in 1987. All the same, it had become clear that it was the one effective weapon.

The cocaine lords, who had enjoyed playing politics and patron in their fiefdom, were forced underground by Lara. Then, as "extraditables," they terrorised judges and anyone else who seemed to stand in their path. The Attorney-General, the editor of the Bogota daily El Espectador and the head of the left-wing Patriotic Union party were among the victims.

But, apart from murdering prominent figures in the cities the drugs groups were also building up rural armies. The ranches bought with cocaine money had to be safeguarded, and "self-defence" organisations, designed to clean up troublesome left-wing guerrillas, mushroomed. At first they were encouraged by landowners who had been paying protection money to the guerrillas.

As massacres of 20, 30 and even 40 peasants at a time grew common, the authorities realised the self-defence groups had grown into a dangerous monster. The rabid anti-communism of Gonzalo Rodriguez Gacha, an increasingly influential leader of the Medellin cartel, was probably responsible for hundreds of deaths among left-wing sympathisers.

The terror is only the most visible aspect of the cocaine business. Billions of dollars have already filtered into the economy, though with current overproduction problems and low prices, the amount coming back is now estimated to be under $1bn a year, or about 15 per cent of Colombia's export income: Banks, industries, airlines, the media, football teams, hotels and chain stores have been drawn in to the drugs web. So too have the political parties, with tempting offers of campaign funds.

Public opinion accuses two candidates for the Liberal Party presidential nomination of having cocaine connections, while the man President Barco had originally planned to appoint as his deputy was tainted by a drug money scandal.

There are myriad ways in which Colombians feel the everyday impact of the drug trade: the casual sub-machine gun-toting bodyguard, the cocaine-smoking addict, the inverted black market exchange rate for the dollar which pays *less* than the legal rate, the *narco* prefix, which is applied to almost any activity, from narco guerrilla to narco priest, through narco banker.

Colombians are accustomed to hearing of, and sometimes seeing, coke kings who take over restaurants and say "everything's on me." Their social presence is often more menacing: one Colombian on a night out in a discotheque saw the man dancing next to him crumple to the floor. The gunman who had just shot him sauntered over to examine the body, and cursed — because it was the wrong person.

Honest politicians wonder whether it is possible for a country so deeply penetrated by cocaine to shake free, and have suggested dialogue with the traffickers. But the New Liberalism group's crusade against cocaine corruption did not slacken when Senator Galan disbanded his dissident movement and rejoined the mainstream of the Liberal Party. His enemies, he said, were "those who use terror and violence to silence the Colombian people." One attempt on his life had already failed, and a bullet-proof vest could not save him any longer.

There was anger at Galan's funeral, and anger in the catcalls that greeted President Barco when he visited Congress where the dead senator lay in state. "We've lost the right to choose," said a supporter, *his way of describing* the traffickers' bid to undermine the electoral process which probably would have taken the 45-year-old senator to the presidency. The police claim they have never had so many tip offs from the public as in the last few days.

Anti-narcotics forces have been attacking processing centres and seizing huge quantities of chemicals — more than 21 tonnes of cocaine were captured in the first six months of 1989. Even if the current momentum against the drug groups can be kept up, extradition enforced, and money and equipment to fight the war pumped in, many underlying problems remain. The judicial system is totally inadequate for its task. Liberals themselves recognise that their party is in a state of confusion, hardly in a position to provide the solid support President Barco needs. The president has been criticised for his ineffectual leadership. His latest measures could well be ruled unconstitutional.

On the practical level, police say they are finding cattle, administrators, gardeners and caretakers in the properties they raid — but no owners in residence. The cartel leaders are on the run now and their reaction is difficult to foresee. But if any of their number is extradited, their reaction is likely to be savage.

Colombia is steeped in so many kinds of overlapping violence that the removal of drug terror alone would not bring peace. But all the evidence is that the cocaine cartels have been trying to destabilise the state, and have come nearer to succeeding than 30 years of guerrilla warfare.

The sense that Senator Galan's death has created the chance to wake up and save Colombia is ironic. His billboards — "Renovation — Now or Never", and "The President Colombia needs" — are shrouded with black mourning bands, and he has been formally designated a martyr of democracy. As the emotional impacts seeps away, the fear is that nothing significant has changed. One columnist summed up the ambivalence saying: "I'm sceptical — but I'd *like to be proved wrong*."

LOMBARD

UK trade figures and siren voices

By Samuel Brittan

YESTERDAY'S SO-CALLED bad trade figures should still the siren voices from some so-called monetarists calling for an entirely inappropriate cut in interest rates. But unfortunately not for too long.

For it will soon dawn even on the purveyors of instant comment for the electronic screens that erratic month-to-month movements are no basis for judging the trend of a country's trade. On top of the usual erratic movements there have been the distortions of the dock strikes. But how large they were and in which direction only Neptune knows. Those analysts who expected a favourable distortion in July have egg on their faces.

The least inappropriate basis for judgment is shown in the table, which excludes both oil and other highly erratic items. In 1988, export volumes rose by 4 per cent and imports by 14 per cent under the pressures of an inflationary boom. The resulting payments deficit was a useful, but temporary, safety valve.

In the latest three months, there have been slight signs of a trend reversal. Export volumes have been 9 per cent higher than in the same period a year ago, and 4 per cent higher than in the previous three months. Import volume has on the other hand risen by 8 per cent and 3 per cent over the same intervals.

The clear signal is that the current deficit has stopped deteriorating. The signs of an actual improvement are still fragile. The National Institute project of an £18bn current deficit for this year falling to £16bn next year and then gradually declining further as a proportion of GDP is as good a guess as any, and would be in line with US experience.

The fundamental reason an interest rate cut would be folly relates to inflation, not the balance of payments. There has undoubtedly been an impressive slowing down of many forms of home demand in the last few months. This is shown by house prices, consumer spending, the downward pressure on profit margins and much else. A slowdown, not a recession. Retail spending is still up on a year ago and on the previous quarter, while unemployment continues to fall by about a quarter of a million a year.

There has supposedly been a fall in second quarter GDP. But we heard that story before when the initial estimate of first quarter GDP appeared, only to have it revised up to a positive number. As for the much trumpeted ¼ per cent reduction to 9 per cent (itself still horrendously high) in the annual increase in underlying earnings, this is not any kind of slowdown but a revised official estimate of level. Even on the initial estimates non-oil GDP is still well up on a year ago. Economists and statisticians have consistently underestimated the buoyancy of the British and most other economies and have made policy makers too fearful of recession and insufficiently worried about inflation.

Professor Patrick Minford, in Monday's Daily Telegraph, has been advocating a base rate cut — even though his beloved indicator M0 (mostly notes and coins) is above the top end of the target range on the basis of predictions that it might soon fall just into the range. Even taken at face value, trends in M0 have often proved false friends, apparently dipping and rising again. Another indicator cited by this Professor is the timing of the next Conservative conference in October. Presumably the next election is his medium-term guideline.

Neither Minford nor I, nor anyone else, really knows the equilibrium levels of unemployment or capacity utilisation. But we can live with this uncertainty if we concentrate on nominal magnitudes, namely Nominal GDP and the exchange rate. Now that the payments deficit is no longer rising, Nominal GDP has again become an indicator of the growth of demand in cash terms. The annual growth of Nominal GDP must fall well into single figures if we want to stabilise inflation at around 5 per cent, let alone achieve something better. On the latest National Institute projections, Nominal GDP growth for 1989 is still above 10 per cent. Even next year it is forecast to rise by nearly 8 per cent.

But it is the Institute's exchange rate projections which show the folly of a base rate cut for a very long time to come. These, although not likely to be "correct," are worthy of respect because they are now designed to be consistent with international interest rate differentials and forward rates. They suggest a 5 per cent annual depreciation in the effective exchange rate for sterling, next year and every successive year well into the 1990s, outside the EMS. And on all underlying measures, inflation remains 5 to 6 per cent. Even this none-too-brilliant prospect assumes that short-term interest rates remain at 14 per cent right through 1990 and even after that do not drop below 13 per cent.

Minford himself differs only in detail from the shorter-term inflation projections. Some time ago he told us that he was assuming that the Government had given up hope of reducing inflation below 5 per cent before the election. But he fails to remind readers of this assumption. Flesh and blood Ministers do not make these dramatic dialectical choices between settling for 5 per cent inflation (with the risk that the actual rate will go higher) and shock treatment to bring it down to 2 per cent. Instead they look for chances of edging the rate downwards at non-prohibitive costs. But they will not even be able to do that if they follow Minford's sincere, but ultimately misguided, political economy.

UK VISIBLE TRADE VOLUME

% changes	Exports	Imports
1988 on 1987	4	14
May-Jul 1989 on May-Jul 1988	9	8
May-Jul 1989 on Feb-Apr 1989	4	3

Seasonally adjusted, excludes oil and erratic items

Source: CSO

LETTERS

Debt at the expense of development

From the Ambassador of Peru.

Sir, I write to you with reference to your article, "Trials of cappuccino democracy," (August 21). Once again the Wildean sense of humour of the British press shows its acid obsession against all the countries and governments of Latin America.

Unfortunately, when the article mentions the difficulties confronted by our governments and political systems, there is no explanation for the reasons for those problems; very superficially, blame is attributed to the "disastrous performance" of some President, to corrupt practices, or to the inefficiency of mismanagement of our administrations.

You do not take into consideration the fact that the "lower commodity prices" are fixed by the industrialised countries, and that the "debt crisis" was originated by the greed of the private banks and the government credit agencies that channelled the petro-dollars into our economies with total disregard of elementary rules of banking practice.

This is one of the reasons why, after many years of discussion, the industrialised countries have accepted the principle of "mutual responsibility" which has opened the doors to the Baker and Brady Plans.

Because, in your article, there is a specific reference to President García, let me tell you that, as has been recognised all over the world, the principle of "mutual responsibility" was first enunciated by him nn several occasions, including the General Assembly of the United Nations in 1985; and that he is also the first head of state to condemn what he has termed the "renting system."

This eystem could be described as one which facilitates an easy way of living to the lender institutions through the implementation of high rates of interest on the credits to our countries, imposing upon us the obligation of paying colossal amounts of money annually at the expense of our development. This system, which has been sanctified in accordance with the western European mnral order, condemns a lender country to pay e rent for life to the parasite creditor.

All this, of course, in the best Shakespearean tradition.

Felipe Valdivieso-Belaunde,
Peruvian Embassy,
52 Sloane Street, SW1

VAT revisited

From Professor Samuel Eilon.

Sir, It is generally suggested that VAT (value added tax) is an effective way of raising tax revenue. It should be realised, however, that such revenne ultimately comes from members of the public who are not VAT-registered. Transactions solely between VAT-registered persons do not produce tax revenue if the tax is claimed back by those concerned.

Take the case of company A selling goods or services to B *when both are VAT-registered.* The procedure is as follows:

- Company A bills B, and collects the VAT.
- A reports to Custome & Excise and pays the VAT.
- Company B claims the VAT back.

Result: the net tax raised is nil. But A and B (and UK Customs and Excise) generate and process a great deal of paperwork, the volume of which must be horrendously expensive for the country as a whole.

There are two possible remedies for this:

If e VAT-registered person sells goods or services only to VAT-registered customers, or for export, then he/she should be allowed to de-register. If neede be, you could be required to submit e declaration once a year that you do not sell to the general public.

All transactions between VAT-registered persons should be deemed as being outside the scope of VAT, and excluded from VAT returns.

In either case, many persons currently registered for VAT would be able to de-register, with substantial savings in administrative costs all round and with no (or little) detriment to the tax revenue. I bope the Chancellor will consider the matter and act accordingly in the next Budget.

Samuel Eilon,
Imperial College,
Exhibition Road, SW7

Priorities in the textile industries

From Mr J.A. Nightingale.

Sir, Your recent correspondence (August 9, 18) on the Multi Fibre Arrangement (MFA) prompts me to point out *that the last two years* have seen 40 per cent growth in the volume of textile and clothing imports from the MFA countries.

This has coincided with a downturn in the pace of activity in the UK apparel, knitting and textile industries. Numbers of workers in British textile and clothing employment have fallen by 30,000 in the past year alone.

The UK's 470,000 workers in the apparel, knitting and textile industries, largely concentrated in northern and inner city areas where alternative job opportunities are hard to come by, are unlikely to take kindly to lectures from leafy Wiltshire on fairness and generosity.

Nor should they — when so many of the MFA developing and newly industrialised countries (NICs) distort trade by blocking imports and granting generous subsidies to their producers.

Further, it should not be forgotten that one result of abandonment of the MFA — a system for orderly development of trada — would be for the poorer developing countries to lose out in western markets to the marketing power of the dominant far eastern NICs, and to China's state controlled exporters.

The first priority in world textile and clothing trade negotiations must be a strengthening of Gatt (general agreement on tariffs and trade) rules and disciplines and an end to distorted trade practices that falsify competition.

Surely everyone can unite around this objective.

J.A. Nightingale,
British Apparel and Textiles Centre,
7 Swallow Place, W1

From Mr Alec Smith.

Sir, Advocates of so-called "free," or even "liberalised," but never "unfairly subsidised" trade are once again directing attention to the Multi-Fibre Arrangement (MFA).

As ever, they conveniently ignore the fact that each MFA has given exporting nations access to a significantly increasing share of the UK'e clothing and textile markets.

Some make unsubstantiated claims about the costs to consumers. Mrs Polgreen's letter (August 9) is an example. Others, like Mrs von Boeventer, (Letters, August 18th) wrap their theories up in "surely we can afford it" packaging.

Perhaps your correspondents would let those who work in the United Kingdom's clothing and textile Indnstries know where they feature in all this?

Alec Smith,
National Union of Tailors and Garment Workers,
16 Charles Square, N1

'This barbarous relic of statistical pre-history'

From Mr Hans J. Kieferle.

Sir, Anatole Kaletsky offers the reader some valuable hints about what the Dow Jones industrial is and what it is not (August 12). Whether Mr Kaletsky gets to the heart of the issue what a stock market index is and what it is not remains an open question.

The unorthodox manner in which "this hodgepodge of only 30 stocks" is "revised at the whim of a retired assistant editor at the Wall Street Journal" is presented as evidence of an urgent need to fix it.

But what if the task of gauging a stock market is based on the notion that, because what goes on defies logic, the manner in which a given index is put together (so long as its contents are known to the players) is beside the point? The world has several dozen stock market indexes, including Dow-Jones' own 30 industrials, 20 transportation, 15 utilities, and 65 stocks. Many are very sophisticated — tha 300 Composite Index of the Toronto Stock Exchange, for example.

The simple fact that most players focus on the Dow-Jones — this "barbarous relic of statistical pre-history" — determines its worth. Lack of ingenuity *is not what typifies* market players' pursuit of the mystery of what goes on in the stock market. Would they not have come up with e better mouse-trap long ago?

Hans J. Kieferle,
Muhlalstrasse 18,
6100 Darmstadt 13,
West Germany

FINANCIAL TIMES
Thursday August 24 1989

Human chain of protest unites Baltic states

By James Blitz in Vilnius

LAST NIGHT in the central square of Vilnius, the capital of Lithuania, you could see the last people in a line which stretched across through Riga in Latvia to Tallin, the capital of Estonia.

The demonstration against Soviet rule by hundreds of thousands of Baltic people commemorated the 50th anniversary of the Soviet-Nazi pact which allowed Stalin to invade them.

The human chain demonstrated the unity of the popular front movements in all three republics.

But the local nationalist movement in Lithuania, Shajudis, decided to go one better than the rest – its council meeting yesterday enacted the toughest resolution yet passed by a republic against Moscow, calling on the Kremlin both to recognise that it had invaded the republic and to withdraw its troops.

Lithuanians had started demonstrating on Tuesday night, when in the early evening, almost the entire population of the city seemed to be making their way up a steep hill on the edge of town.

Arriving at the Kalnuparkas, an arena surrounded by hills, they stood 60,000 strong on the slopes amid dozens of gold, green and red flags and slowly sang their national anthem. The unofficial anthem of Lithuania? "Oh, no, it's already official," bellowed a woman, proudly.

They applauded calls by Mr Vytautas Landsbergis, the leader of Shajudis, for publication in full of the findings of the Kremlin's commission investigating the consequences of the pact agreed by Molotov and Ribbentrop, the Soviet and German foreign ministers, which had originally cleared the way for the Soviet's Baltic conquest.

Further applause greeted the resolution of the Lithuanian Supreme Soviet – that when Hitler and Stalin decided to carve up Eastern Europe the Lithuanian people did not accede willingly.

But these were measured speeches in comparison to those of yesterday. In the same arena at lunchtime, a smaller crowd, of perhaps a few thousand, but more vociferous and including Mr Viktoras Piaktus, formerly jailed by the Lithuanian leadership and now one of the leaders of the strident Freedom League, who shouted: "We don't listen to Moscow any more. We're on our own."

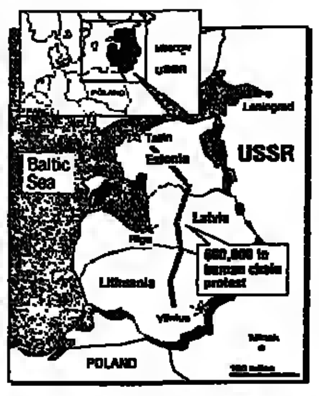
Unlike the Shajudis leadership, the Freedom League wants it all, now. "Independence, yes. Autonomy and the Soviet Union, no," read one of their banners. Yesterday, however, they could not compete with the organisation and following of Shajndis, a movement with fully paid officials and spacious offices in the middle of town.

Even the Shaudis council meeting, where the norm was to be a bearded man in a dark suit, gave off the air of one of those early, seminal meetings of the Bolshevik revolutionaries, although yesterday children occasionally strayed onto the stage.

And this must be one of the few places in Eastern Europe where the official independence movement ferries journalists to a press conference given by the Ideology Secretary of the Republican Communist Party.

There, Mr Janis Pateckis was downbeat about the chances of getting Moscow to acknowledge the full consequences of the pact.

"Soviet society is not yet ready to take on board the consequences of what happened fifty years ago. Years of propaganda about the Red Army would have to be undone first and that will not happen over night."

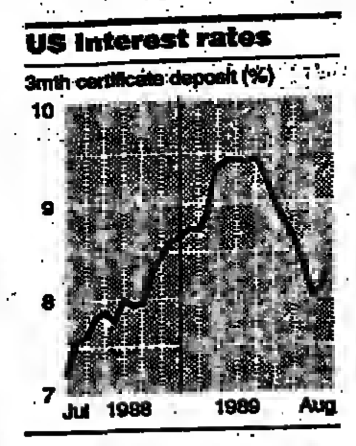


Members of the Estonian Democratic Movement wave nationalist flags as they gather in Tallin town hall square yesterday

THE LEX COLUMN

Goldsmith's French connection

Although the BAT share price will doubtless jump this morning on the strength of the Axa-Midi deal, there is room for caution. The agreement should help to an extent with the US authorities and implicitly confirms that the existing offer is to be revised. But there is still no question of US approval being gained within the existing UK timetable. Hoylake has now submitted its case to the Takeover Panel for the bid to be lapsed, in which case it could be resumed immediately on receipt of US approval. But if the submission fails, Hoylake has just over a month to decide whether to amend its terms regardless. That would mean incurring the full weight of underwriting fees, which scarcely seems worth the risk. And if the terms are not amended, the Axa deal falls through.



For BAT's shareholders, the deal has certain attractions. In particular, it recoups the entire £2.9bn which BAT spent on Farmers, despite the arrival of Proposition 103 in the interim. Thereafter, Axa will lever its way into as much as 15 per cent of the equity in the revised offer, bringing in some rather shadowy Italian participation through its association with Generali. But Mr Agnelli is there already in his own right and Axa, after all, will be paying a further £800m as entry fee.

The snag is that from the American insurance commissioners' standpoint, Axa experience in the US market is too flimsy and too short-lived to serve as evidence of their fitness to own Farmers. Axa's accounts show only one US insurance subsidiary: Gamma Re, an obscure Manhattan reinsurer which it bought in 1988 and which by 1987 had annual premiums of only $38.1m. The fact that it has licenses to do insurance business in 27 states does not mean that it has undergone anything like the depth of financial scrutiny regulators apply to acquirors of giants such as Farmers, operating in the entirely different motor and home insurance market.

There is something astonishing, too, about Axa's audacity in thinking it can digest such a large acquisition. Not only is its market capitalisation no more than £4bn. It may not have come fully to grips with the problems of merging the Compagnie du Midi and Axa insurance operations in France. Taking on Farmers Group, and Proposition 103, appears rash at best and megalomaniacal at worst.

Hence the suspicion that Axa's bid is a front for the ambitions of Italy's largest insurer, Generali. At £11bn, Generali's market capitalisation is an indicator of its much greater financial power and it owns 20 per cent of Axa. Like Mr Agnelli, Generali has been treating the Italian media for years to protestations of its distaste for hostile bids; getting Sir James to do the job on its behalf is one solution.

Certainly, the financing of the Axa deal looks rather curious as stated. In leverage terms, the US authorities might ponder the leverage implications of Axa issuing bonds to half the value of its own market capitalisation. For Hoylake, the financing looks slightly curious regardless. The general idea of the break-up was that cash was to be raised quickly and the debt paid off. But half the price of Farmers is to come in Axa paper, yielding the same as US Treasuries and a good deal less than Hoylake's junk. Somewhere along the line, there has to be less emphasis on funny money if the whole operation is to work.

Interest rates

A year ago, the UK reported an horrendous set of July trade figures, precipitating a knee-jerk rise in base rates. Twelve months later, an equally large deficit caused a minor ripple in the financial markets yesterday, on the grounds that it was too horrible to take seriously. Indeed, the only casualties were the reputations of the growing band of City economists who had been predicting an early cut in base rates.

We are seven months into the current year and the UK has run up a current account deficit of £11.5bn, more than a third higher than in the same period last year. If next month's figures do not show a dramatic improvement then the UK could be set for another autumn sterling crisis, assuming that the foreign exchange markets do not force the issue beforehand. No doubt there are all sorts of excuses for the latest miserable trade performance, such as the surge in car imports ahead of the crucial August sales period. But the sheer size of the trade gap at a time when there are definite signs that the UK economy is slowing down rapidly underscores the authorities' interest rate dilemma.

UK interest rates have been stuck at abnormally high levels for a considerable period now and there are increasing signs of the pain this is causing in both the commercial and personal sectors. Near record interest rates, above average inflation and below average growth are not a recipe for political success; there are several reasons ranging from the Tory party conference in early October to the £7bn water privatisation in November why the Government's immediate prospects would be enhanced by falling interest rates. However, the risk of sending the wrong signal to the foreign exchange markets is almost certainly too great for the authorities to contemplate such a move before the year end.

Mexicana

However dim a view several hundred US congressmen may take of Sir James Goldsmith, the Mexican Government evidently think his brand of capitalism is just what their economy needs. His investment of nearly $9m on a stake in the soon-to-be-privatised Mexicana, Mexico's largest airline, also looks a remarkably good deal for him. One wonders why he does not pack in the BAT bid now and find a US airline to unbundle. UAL is only the most obvious candidate.

Mexicana's name may not trip readily off the international air traffic controller's tongue, but it was mostly thriving until its nationalisation in 1982. It also has 40 per cent of the market for air travel between the US and Mexico and 1988 sales of $650m. It looks generous of the Mexican Government to be selling 25 per cent of it to the consortium including Sir James for a mere $140m.

French fleet sails into dangerous waters

George Graham and **Andrew Gowers** on the motives behind a Lebanese adventure

THE French naval flotilla gathering off Lebanon is sailing dangerous waters, against the background of appeals from the country's beleaguered Christian community for international assistance and of threats from Syria and its Lebanese Moslem allies.

Yet France's precise purpose in despatching part of its fleet to the eastern Mediterranean remains something of a mystery.

The official line, defended yesterday by President François Mitterrand, is that the ships are under orders to act as a "safeguard" and to bring whatever aid may prove necessary to Lebanon.

The Government, moreover, has repeatedly affirmed its impartiality between Lebanon's warring factions. Mr Mitterrand's statement yesterday was studiously even-handed, criticising pro-Syrian leaders who have accused France of planning to intervene in the Lebanese civil war but also implicitly warning Maj Gen Michel Aoun, the Lebanese Christian leader, not to think that the French flotilla is coming to his rescue.

European Community foreign ministers yesterday called for a ceasefire in Lebanon and said that a fact-finding mission was being sent to Beirut in the next few days. They said the situation in Lebanon was "fraught with danger" and "urgently appealed to all parties to cease all gunfire and bombing on land and sea and all forms of blockade and to implement a total ceasefire, as requested by the Security Council in its declaration of 15 August 1989." The statement was issued in France which holds the EC rotating presidency. **Page 4**

"When France announces a mission of safeguard, and only of safeguard, some do not want to understand the meaning of the the words and pretend to mix up safeguard and military action. And others imagine, wrongly, that the French navy is or will be at their disposal," Mr Mitterrand said.

But he should not really be surprised by such confusion after the embarrassment surrounding the previous French humanitarian mission to Lebanon in April, which aroused the fury of Gen Aoun's Moslem opponents. Paris has undoubtedly been working hard to prevent its current aid effort from turning into a re-run. Mr René Ala, France's new ambassador in Beirut, for example, has demonstrated neutrality by presenting copies of his credentials to both Lebanon's rival governments.

The trouble is that once an outside actor wades into the Lebanese maelstrom, impartiality is difficult if not impossible to maintain. In private, Elysée officials have made no effort to disguise their criticisms of Syria's role in the conflict. It is no surprise that Gen Aoun, who has been seeking throughout his five-month-old "war of liberation" to internationalise his conflict with the Syrian army, has taken the French military presence as an encouraging signal.

Making it still more difficult for France to preserve neutrality is the fact that Gen Aoun's principal arms supplier, Iraq, is a French ally. Gen Aoun said yesterday that France, too, had been supplying him with some munitions, an allegation swiftly denied by the French Foreign Ministry.

Public opinion also has an inevitable bearing on French involvement. President Mitterrand has spoken of France's "instinctive solidarity" with the Lebanese Christians. Such statements, and the fiercer rhetoric from right-wingers, beg important questions:

● If France's intention is purely to mount a neutral aid mission in Lebanon, why has it been accompanied by such a show of force?

● How will France ensure that such an operation is genuinely even-handed? Pro-Syrian forces say that the only way of demonstrating this is for French ships to dock at the Syrian-controlled northern port of Tripoli as well as Beirut.

● What would the humanitarian mission achieve? French officials have been vague but suggest that one aim is to evacuate French citizens if the fighting should worsen.

● How will France react if its ships are shelled during such an operation? Officials have said that they would expect guns to be silent during an aid effort. But France, having been badly burned before in Lebanon, is likely to think hard before becoming dragged into full-scale conflict again.

● Finally, what do France's allies think of its activities? Other western countries have been extremely reticent and although France has secured European Community agreement to send an aid fact-finding mission to Beirut, that is about as far as it goes.

No turning back, declares Polish PM

Continued from Page 1

nation. So great that it is a fundamental element of our being, of our understanding, of ourselves. The fact that a Catholic becomes Prime Minister has great significance for our people.

"For me, the deepest inspiration comes from the faith, since in difficult times of my life I have always come to the conclusion that the only indestructible, fundamental value is the faith.

"It is the basis of what is called today 'human rights' – people's dignity, hope, and potential.

"But I will be the Prime Minister of all Poles, and for this government there will be no split between superior and inferior citizens. Whether someone is a Communist or a Catholic, he is a citizen of the state."

On depoliticisation: "I think the direction we are going – a direction which was discussed with the President – is one aimed at strengthening tha state, and for all institutions and forces within the apparatus to take their power from the state.

"I will expect loyalty from them, and changes to be made in an evolutionary way... The state cannot be the preserve of one party; it is a common good in which we all share."

On the nomenklatnra: "Besides these people who are carecrists and incompetents, there are also people in the nomenklatura who are experts and who joined its ranks hecause they had no other access to responsible posts... Very many people had their way blocked to the higher posts.

"That way has to be opened up... For the existing apparatus I will be guided by competence on the one hand and, on the other, absolute loyalty to this Cabinet... There are very many talented and responsihle people among us (Solidarity), hut all, including myself, lack experience, since we were not allowed to acquire it.

"But I don't intend to replace one Party nomenklatura for a Solidarity one."

Hoylake boosts campaign for BAT

Continued from Page 1

league.

Within the Axa-Midi holding it now controls, besides the French subsidiaries, the group controls Equity and Law, the UK life insurer bought by Midi, as well as operations in Belgium, Spain, Italy and Luxembourg. Although it is present in Canada, where it bought Home Insurance Group at the end of last year to reinforce its existing operations, Axa has only a small reinsurance operation, Gamma Re, in the US, after selling its subsidiary Appalachian Insurance last year.

It is, however, licensed in seven of the nine states where Hoylake needs to get regulatory clearance.

The group's complicated structure, with a number of semi-integrated mutual companies, makes it difficult to give consolidated figures. Aggregate premium income in 1988, however, reached FFr42hn ($6.412bn) – 68 per cent of it in France – with comhined net results of FFr2.14bn. Yesterday's announcement came after the market had closed in London, where BAT shares were 4p lower at 843p.

In the US, reaction to the Hoylake announcement about Farmers was subdued, as Wall Street arhitrageurs took the view that pre-selling Farmers would be of little help in clearing the regulatory hurdles in the US.

"This will remain a hostile hid and adding another party to the bidding might only delay the processing hy the insurance commissions," said one New York lawyer who specialises in takeover deals. "It certainly won't speed up the operations of the US courts.

Brazil puts freeze on profit transfers

By Ivo Dawnay in Rio de Janeiro

BRAZIL is retaining all foreign companies' remittances of profits and dividends indefinitely in frozen accounts and not merely delaying their transfer ahroad, a senior Central Bank official has confirmed.

Mr Arnim Lore, the Bank's director for external business, said reports that such payments were simply subject to delays were mistaken.

Many companies helieved the hold-up was temporary and that funds would be released as and when Brazil's foreign exchange reserves became adequate to permit the transfers without undermining confidence.

But Mr Lore made clear to the Financial Times that the measnre is indirectly connected to talks with foreign banks and institutions on Brazil's $115bn foreign debt.

"It is linked to the administration of cash flow," he said. Without the release of "new money" negotiated under last year's debt agreement and currently held up by Brazil's failure to reach agreement with the International Monetary Fund, the profit remittances would be retained "as long as necessary."

Foreign companies had been told of this decision in July. There had been no objections. A similar arrangement had existed between July 31 1983 and March 31 1984, had not created conflicts and had been well managed.

Nevertheless, the indefinite freezing of remittances, which will not attract interest, appeared to have surprised some hig foreign companies yesterday.

It is also likely to inhibit overseas investors examining the potential of new projects. Under Brazilian corporate law foreign companies may remit annually up to 12 per cent of the total capital thay have brought into the country, without attracting punitive tax.

Brazil is engaged in crucial talks with the IMF to reach a temporary accord on economic targets which would release up to $3bn in new money. Without such a deal, Brasilia has warned it will be unable to honour a $2.3bn interest payment due to commercial banks next month.

Most analysts believe there is little hope of reaching such a deal which, in turn, suggests that profits earned in the first half of this year may not be paid until after a new president resumes talks with foreign creditors in March 1990.

"We had hoped that we would be able to remit before the end of the year, but this is looking increasingly difficult," a president of ona multinational said yesterday.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	30	86	Dubrovnik	S	28	82	Malta	F	31	88	Rhodes	S	30	86
Algiers	S	32	90	Edinburgh	C	15	59	Manchester	C	18	64	Rio de J'o	C	34	93
Amsterdam	F	19	66	Faro	S	28	82	Manila	F	33	91	Rome	S	29	84
Athens	S	34	93	Florence	F	32	90	Melbourne	R	9	48	Salzburg	F	22	72
Bahrain	S	38	100	Frankfurt	S	22	72	Mexico City	C	24	75	San Francisco	Dr	15	59
Bangkok	F	34	93	Funchal	F	25	77	Miami	S	28	82	Seoul	F	29	84
Barcelona	S	31	88	Geneva	S	26	79	Milan	S	29	84	Singapore	-	-	-
Beirut	-	-	-	Gibraltar	F	25	77	Montreal	C	18	64	Stockholm	S	20	68
Belfast	C	16	61	Glasgow	C	16	61	Moscow	C	15	59	Strasbourg	F	25	77
Belgrade	C	30	86	Guernsey	S	18	64	Munich	F	25	77	Sydney	F	15	59
Berlin	S	21	70	Helsinki	C	16	61	Nairobi	-	-	-	Taipei	C	33	91
Biarritz	F	24	75	H. Kong	C	29	84	Naples	F	31	88	Tangier	S	33	91
Bombay	R	25	77	Innsbruck	F	25	77	Nassau	F	32	90	Tel Aviv	S	31	88
Bordeaux	S	27	81	Inverness	C	16	61	New Delhi	F	29	84	Tenerife	F	34	93
Brussels	F	22	72	Islamabad	C	31	88	New York	S	25	77	Tokyo	S	31	88
Budapest	S	30	86	Istanbul	S	31	88	Nice	S	29	84	Toronto	F	19	66
B. Aires	R	10	50	Jakarta	C	33	91	Nicosia	S	30	86	Tunis	F	34	93
Cairo	S	33	91	Jersey	S	21	70	Oporto	S	29	84	Valencia	F	30	86
Cape Town	S	20	68	Jo'burg	S	21	70	Oslo	F	18	64	Venice	S	29	84
Caracas	F	29	84	Lima	C	18	64	Paris	S	22	72	Vienna	S	26	79
Casablanca	S	29	84	Lisbon	F	32	90	Peking	S	26	79	Warsaw	S	24	75
Chicago	C	22	72	London	S	22	72	Prague	F	19	66	Washington	C	26	79
Cologne	F	22	72	Los Angeles	C	18	64	Reykjavik	F	10	50	Zurich	S	24	75
Copenhagen	F	18	64	Luxembourg	S	21	70								
Corfu	S	34	93	Madrid	S	31	88								
Dallas	-	-	-	Majorca	S	35	95								
Dublin	F	18	64	Malaga	F	25	77								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK July trade deficit rises to £2.1bn

Continued from Page 1

ing forward trade to beat the strike, they could find no evidence that UK trade was disrupted in June or July.

Mr Bryan Gould, the opposition Labour party industry spokesman, said Britain's trade performance was going from bad to worse. "The Chancellor must frankly recognise that his policies are clearly damaging British industry," he said.

In July, the volume of exports and imports were both at record levels. Imports were huoyed hy strong seasonal demand for cars, in preparation for the August new registration period, and strong imports of capital goods. Exports, in the latest three months and excluding oil and erratic items such as ships and aircraft, grew 4 per cent compared with the February to April period and were 9 per cent higher than a year ago.

The growth in exports appears to have overtaken that of imports. Mr Mark Cliffe, UK economist at Nomura Securities, said the growth in export volumes was encouraging and that he expected a steady improvement in UK trade over the next 18 months.

But the interpretation of yesterday's trade figuras was more than usually clouded by uncertainties. The Treasury and economists qnestioned whether the CSO had got its adjustment for seasonal variations in imports, especially of cars, quite right.

Ralph Atkins writes: the National Institute of Economic and Social Research predicted yesterday in its economic review – compiled before the latest trade figures – that progress in curhing inflation may allow a small cnt in base rates "next year, if not earlier."

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday August 24 1989

INSIDE

Water investment good news for Weir

Weir Group, the Glasgow-based engineering group that reported increased profits for the six months to the end of June, enjoyed a 23 per cent rise in new orders. These included a £5.5m contract to supply a South Korean power station. Prospects look good, as with 20 per cent of sales coming from the water industry and a similar proportion from power generation, the group has a presence in markets on the verge of significant investment. Page 24

Bond sells a hole in the ground

Alan Bond had a dream – to develop the so-called Super Pit gold mine at Kalgoorlie in Australia, planned to be one of the largest such holes in the world, at 5km long, 2km wide and up to 300 metres deep. But Mr Bond's huge debts meant that he had to give up the plan. So on Tuesday, Mr Robert Champion de Crespigny, another Perth entrepreneur, bought Mr Bond's interests in the mine and gave his hitherto little-known company effective control of the Super Pit project. For Mr Crespigny, the deal is effectively a move back into the operations he sold to Mr Bond in late 1987 – and not only for no cash outlay, but also in the wake of some heavy capital investment on the Super Pit. Page 21

Elephants seek out oil

A new breed of elephant has been sighted this year in the West African nation of Gabon: not a floppy-eared quadruped, but an onshore oilfield located in thick rain forest 140 km south of Port-Gentil. "Elephant" is jargon for a big oil discovery of the kind usually associated with Middle East producers rather than the smallest member of the Organisation of Petroleum Exporting Countries. In contrast to the experts' predictions that Gabon's oil had peaked in the 1970s and would run out by 1990, its national oil output is scheduled to leap by one third this year to around 10.5m tonnes and to more than 13m tonnes next year. Exxon, Shell and even British Gas are involved. Page 26

The HK securities roller-coaster

The Hong Kong stock market's recent 22 per cent plunge, triggered by the Tiananmen Square massacre, seemed a mere hiccup to veterans of the local broking community, such as Mr Richard Witts (left). Since arriving in Hong Kong in 1970, Mr Witts, now managing director of Schroder Securities, has become familiar with even more dramatic peaks and troughs. If these market thrills and spills would be enough for most people, however, not so for Mr Witts: he is a keen amateur racer, and wrote off a sports car in a recent event in Thailand. Page 38

Bus shelters in the spotlight

Adshel bus shelters are going upmarket. Many are being converted to become illuminated Superlite panels, the advertising rate of which is double that of the simple shelter poster. The move has lifted More O'Ferrall's pre-tax profits, announced yesterday, by 24 per cent in the six months to the end of June. Superlites have helped to increase the company's share of the UK roadside poster market to close to 25 per cent, and the group reported similar improvements in France and Belgium. Page 25

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Nixdorf	353	+	9.5
Preussag	291.5	+	5.5
Falls			
Aachener M'ch	900	−	34
Klöckner Werke	157	−	5.8
Asko	893	−	25.2
BMW	600.5	−	12.5

NEW YORK ($)

Rises			
Procter&Gamble	125⅛	+	1⅞
Stratus Comp	31⅞	+	1¾
Tesoro Pet	10⅞	+	1¼
Wang Labs A	8⅛	+	¼
Falls			
McGraw-Hill	60⅝	−	1⅛
Sears, Roebuck	44⅞	−	⅞

New York prices at 12.30.

PARIS (FFr)

Rises			
Damart	3660	+	290
Av Dassault	655	+	40.3
Bon Marche	900	+	50.7
Hachette	339	+	18.1
Falls			
Grp Victoire	1868	−	94.9
Roussel	1782	−	83.9

TOKYO (Yen)

Rises			
Seirei Ind	880	+	95
Nitchitsu Inds	1100	+	100
Mitsuya Resort	3240	+	310
Falls			
Toyo Radiator	1610	−	140
Higashi Npn Bk	1960	−	90
Chujitsuya	4000	−	240

LONDON (Pence)

Rises			
Alexon	472	+	7
Bass	1147	+	24
Devenish (JA)	358	+	16
Glaxo	1539	+	20
Goldberg (A)	161	+	12
GUS A	1157	+	23
GRE	230	+	12
ICI	1336	+	18
LASMO	515	+	12
Ladbroke	334	+	8
Marston T'son	236	+	9
Pilkington	270	+	9½
Royal Bk Scot	440	+	11
Royal Ins	443	+	12
Whitbread A	387	+	10
Falls			
Eurotunnel Uts	775	−	19
McAlpine (A)	379	−	10
Mersey Docks	196	−	14
Midland Bank	369	−	6
Mider (B)	278	−	21
Tilbury	619	−	19
Utd Newspapers	500	−	12
Weir Group	308	−	6
Wellcome	736	−	20

GEC loses control of businesses in joint deals

By Hugo Dixon

THE GENERAL Electric Company of the UK is in the process of relinquishing control of aspects of its business that form part of three joint ventures it has set up over the past year. The result is that the fate of large parts of the UK's telecommunications, consumer products and power engineering industries could be determined by non-British companies.

Lord Weinstock, GEC's managing director, has claimed that he would be able to continue running these businesses in the same way as he had in the past.

However, the shareholder agreements setting up the ventures show that GEC is giving its partners – Siemens of West Germany, General Electric of the US and Compagnie Générale d'Electricité (CGE) of France – substantial rights and powers of veto. These documents are available for inspection at Freshfields, GEC's lawyers, as a result of its joint bid with Siemens for Plessey, its smaller electronics rival.

The revelation that GEC is surrendering control over important decisions is likely to fuel criticism that the group is turning itself into an investment trust, which would involve holding stakes in companies but not directing their fate.

The most significant surrender of control relates to GPT, GEC's £1.2bn ($1.9bn) telecoms venture with Plessey. Siemens would acquire a 40-per-cent interest in GPT if the bid for Plessey succeeded.

Siemens would have an equal say over strategy, budgets, system design and investment – even though the German company would be a minority partner and GEC would have management control. In particular, Siemens would have a veto over any partnerships, joint ventures, acquisitions or disposals.

GPT would have to buy its technology from Siemens or from a company it nominates unless that know-how could not be provided by the German company on competitive terms.

There is also an agreement that in future GPT and Siemens should offer their customers common systems. Given that Siemens' telecoms businesses are much larger than GPT's, it would seem that the UK company would become increasingly dependent on German technology.

GEC's joint venture with GE involves selling the US company a half-share in Hotpoint, its consumer products division. Although GEC will be responsible for day-to-day management, the shareholder agreement reveals that GE will have the major say in marketing Hotpoint's products and in expanding the company throughout Europe.

The agreement envisages the formation of a separate "selling" subsidiary under Hotpoint, which would have an exclusive deal to market its products.

The turnover of this subsidiary would be consolidated in GE's accounts, although its profits would be distributed back to Hotpoint.

GE would have a special share in the "selling" subsidiary, apparently giving it control. It would also be entitled to nominate the subsidiary's managing director, although the intention is to choose the same person as the managing director of Hotpoint, a GEC appointee.

The agreement spells out that Hotpoint's principal method of expansion across Europe will be through acquisitions. GE will have the right to nominate the managing director of these.

GEC's largest joint venture has involved pooling its power engineering interests in a 50-50 venture with CGE to create GEC-Alsthom. Lord Weinstock is the first chairman of GEC-Alsthom's supervisory board, which will receive monthly reports from the venture. It has an equal number of GEC and CGE directors.

However, a separate board is responsible for management. This has five members, three of whom – including Mr Jean Pierre Desgeorges, the chairman and chief executive – were originally from CGE. Only two were from GEC.

Regrouping for a tough campaign

David White looks at the shake-up in European defence electronics

Europe's defence electronics business is becoming like the revolving door of a grand hotel. Those coming in risk being swept off their feet by those rushing to get out.

The Dutch Philips group, which has defence offshoots spread around Europe, gave confirmation on Tuesday of its determination to concentrate its efforts in other sectors. Its plan to transfer to Thomson-CSF control of its cornerstone Dutch defence company Hollandse Signaalapparaten, as well as the defence side of its French affiliate TRT and part of its Belgian defence interests, is expected to be followed by further moves.

The shake-up already begun in the industry in Europe has started moving faster. By the end of this year the sector could be looking quite different from the way it started out.

At the start of the process are two big regroupings. One is Daimler-Benz's DM1.7bn ($895m) bid to control aerospace manufacturer Messerschmitt-Bölkow-Blohm (MBB), on which the Economics Ministry is expected to come to a decision next month. The other is the £2bn ($3.2bn) hostile takeover plan for Plessey of the UK. GEC, the leading British defence electronics contractor, and Siemens of West Germany, a relative tiddler in the military sector to date, plan to split Plessey's military businesses between them.

The logic behind these moves is the need to concentrate, not just to achieve economies of scale, but also to face up to the exponential rise in research and development costs.

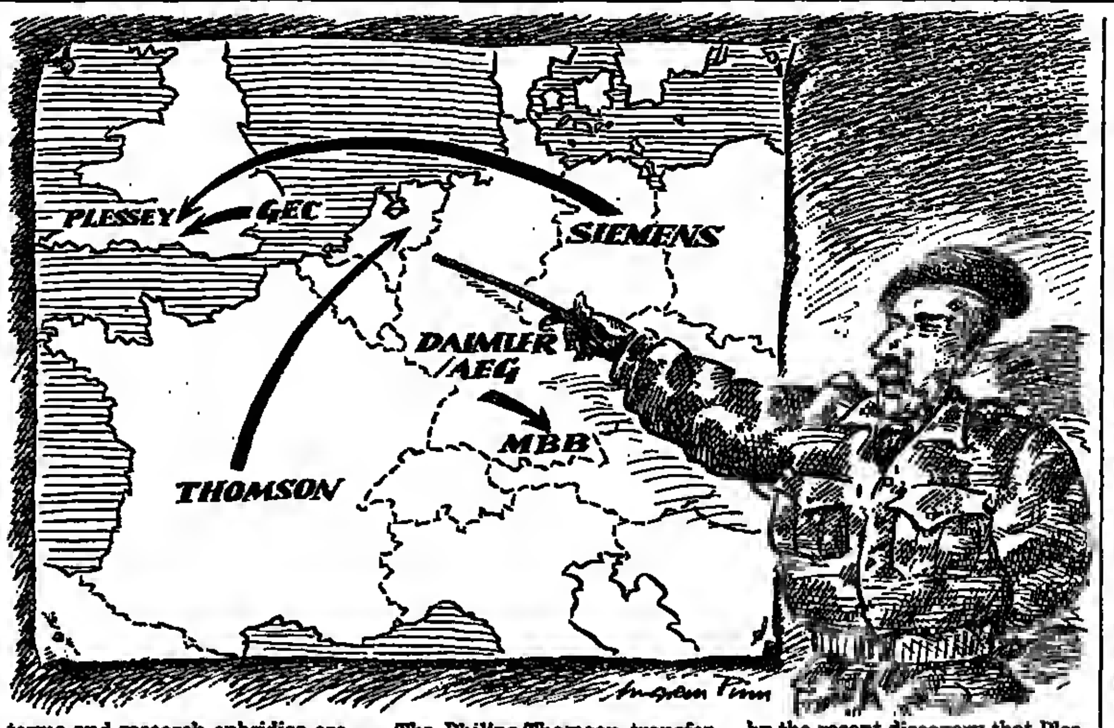
By the same logic, other companies have decided not to take up the challenge. In the UK, Racal has made clear it wants either to set up joint ventures and collaborative tendering arrangements or to sell off defence activities. Thorn-EMI is also eager to divest its defence side and has sent out a prospectus to this effect. Others, like Smiths Industries, in avionics, feel they should reduce the relative weight of their military side.

Part of the reasoning within Philips has been that defence sits uneasily with the image of the group's consumer products and medical equipment – a question that has apparently also caused some divergences in Siemens.

Also, with the exception of MEL in the UK, Philips' defence interests have mostly been making losses. The group set out to strike "strategic alliances" for these business, but so far what has happened has been more like a straight sell-off. In Sweden it sold Philips Elektronikindustrier to Bofors in June. In the Netherlands and France its defence activities are scheduled to be in the hands of the French state-controlled Thomson-CSF by the end of the year.

For MEL in the UK, with about 1,300 employees and an annual turnover of about £90m, it has been looking for a partner with complementary technology, mainly among US companies. Talks are thought to be still going on with Westinghouse but have so far brought no result.

The changes come as most Western countries, starting with the US, are cutting back on defence spending plans. In the UK the spending on new equipment has started dropping in real terms and research subsidies are frozen.



In France planned increases have been cut back, and in West Germany next year's procurement budget is down. Some electronics sectors are better placed than other areas of defence. There is always a market for more effective weapons, upgrading of current equipment or cheaper training methods. But the trend towards more integrated systems means that, while big contracts get bigger, there are fewer of them.

Competition has become especially acute in the UK. For instance, four companies – Racal, GEC-Marconi, Plessey and MEL – are all competing to supply electronic warfare equipment for the Navy's new frigates. It is expensive to mount bids, and the price the Ministry of Defence gets is honed down. Some argue that the net result of the policy will be to push companies out of business, and that in future the only ones left in the race will be international groupings.

The Philips-Thomson transfer comes as a second cross-border move to follow Siemens' involvement in the Plessey takeover plan. Thomson-CSF, the biggest European company in the field, is anxious to reduce its dependence on its home market. It has been closely watching developments in other countries, especially the UK, which together with France, dominates the European defence industry.

It created a stir by an agreement with British Aerospace in missile systems. It was seen as a possible "white knight" for Plessey, and was recruited as a potential partner in the quixotic counter-plan whereby Plessey and allies thought of taking over GEC. But analysts now wonder whether Thomson, which is generally seen to need to broaden its defence base further, will have the financial resources to do this once it has absorbed the Philips business.

In the UK, speculation has focused on Ferranti International, and was further stirred up by the recent discovery that Plessey had bought a small 2.2 per cent stake. The suspense now hangs on a crucial contract decision, already several times postponed, on a radar for the four-nation European Fighter Aircraft.

The UK and West Germany have been arguing over the choice between a Ferranti-designed radar made by a consortium now including Siemens, and one proposed by Daimler-Benz's AEG subsidiary in a team including GEC-Marconi, based on an existing radar developed by Hughes of the US.

Ferranti has already become a victim of the competitive climate in the supply of command and control systems to the Royal Navy. It has lost an effective monopoly, first in submarines, and now in surface vessels.

The sector has become fertile ground for rumours. But as disarmament prospects cloud the outlook for defence spending further, it is easier to spot potential takeover targets than likely buyers.

Suez bids: COB orders disclosure of share deals

By George Graham in Paris

THE Commission des Opérations de Bourse (COB), France's stock exchange regulatory body, yesterday ordered participants in the FFr24bn ($3.7bn) battle for Compagnie Industrielle, the French holding company, and its 40 per cent owned insurance associate, Victoire, to make daily disclosure of all share dealings.

In an official statement issued yesterday the COB reaffirmed that any of the companies involved in the takeover, their board members, shareholders with more than 5 per cent of their capital or anyone acting in concert with them must declare all share purchases or sales every day.

Anyone else who has acquired 0.5 per cent of the two target companies since Compagnie Financière de Suez launched its twin takeover bids for Compagnie Industrielle and Victoire must make the same declaration, the COB stated.

The statement was viewed by Paris investment bankers as a warning shot across the bows of Mr Jean-Marc Vernes, the chairman of Compagnie Industrielle, who in a newspaper interview yesterday hinted that he might try to defeat Suez by buying shares in the market rather than by launching a full counter-bid.

COB officials said yesterday that it would be totally against the takeover rules for Mr Vernes to take control of Compagnie Industrielle except through a full bid. Some French bankers, however, said it would not be easy to prove concert party action, and that it might in practice be difficult to stop allies of Mr Vernes from buying Compagnie Industrielle shares.

Markets, Back Page

Further fall at Alfred McAlpine

By Andrew Taylor in London

PRE-TAX profits of Alfred McAlpine, the British construction group, tumbled a further 15 per cent to £4.53m ($7.1m) in the six months to the end of April.

Mr Bobby McAlpine, chairman and chief executive, said the group had suffered from a series of loss-making public sector contracts won between 1986 and 1988.

The latest drop in profits follows a 35 per cent fall in pre-tax profits to £20.47m in the year to October.

Mr McAlpine warned that further loss could be expected in the second half of this year. He said he hoped to have wiped the slate clean of loss-making contracts by the end of the year.

The group's shares slipped 10p to 379p following yesterday's announcement that earnings per share had slipped to 0.2p (9.8p) in the six months to the end of April – after minorities of more than £2m.

The interim dividend was unchanged at 4.5p.

The profits decline has come when British construction output is at record levels. McAlpine admits that its mistake was to concentrate too much in the mid-1980s on low margin public sector work, particularly road contracts.

Losses on construction work rose to £3.6m in the six months to the end of April, compared with a £500,000 profit last time.

At one stage public sector work accounted for about 70 per cent of McAlpine's orders. Private sector contracts, where margins have been higher, now accounts for nearly 50 per cent of orders.

The largest increase in profits came from UK housebuilding, where trading profits increased from £3.6m to £10.3m, thanks to a first time contribution from Canberra, the Midlands housebuilders in which McAlpine has a 60-per-cent stake.

The UK minerals division, where the company suffered last year because of delays in bringing concrete block making capacity on stream, is forecast to increase profits this year to approaching £3m (£1.1m).

McAlpine said that US profits, helped by its successful slate and roadbuilding businesses, rose by £300,000 to £950,000 in the first half, despite losses on housebuilding. These operations are in the north-east of the US, where the housing market has been very depressed – in marked contrast to California where British housebuilders like Wimpey, Barratt, Taylor Woodrow and John Laing have been highly sucessful recently.

Analysts say the company's reorganisation to concentrate on higher margin business in the UK is a move in the right direction, but that it is only doing what other companies did in 1986. They expect profits this year to be around £20m – about the same level as last year.

One bright spot on the horizon is the UK Government's announcement that it plans to more than double its spending on motorways and trunk roads to £12bn over the next 10 years.

Goldsmith buys into Mexican airline

By Richard Johns and Rebecca Doulton in Mexico City

COMPANIA Mexicana de Aviación has been restructured with the infusion of $140m of capital from a consortium led by Grupo Empresas Xabra and including Sir James Goldsmith, the Anglo-French financier, but without the expected participation of a foreign airline.

In what is intended to be the first phase of the privatisation of the company, the state's stake in Mexicana has been reduced from 58 per cent to 40.5 per cent. The Xabre consortium will have about 25 per cent.

As part of the restructuring, a new holding company has been formed called Corporacion Mexicana de Aviación. Minority shareholders are being invited to exchange their shares on a one-for-one basis.

The Finance Ministry said that the newly constituted company planned to invest $3bn over the next 10 years and create 21,000 jobs. It expects to purchase 47 aircraft.

The government plans to privatise the company totally in two or three years.

Xabre has provided $50m of the new capital. The rest is accounted for by Chase Manhattan with $50m, Mr Elias Sacal with $15m, Drexel Burnham Lambert through its aircraft leasing company with $10m, Sir James Goldsmith with $8.6m and Mr Carlos Abedrop Davila, a private investor who was formerly a director of Banco Atlantico, with $6.4m.

Mexicana last year made a profit of 307.6bn pesos ($136.3m) on turnover of 1,700bn pesos. But the airline still had external borrowings of $235.4m.

Mexicana claims to carry 40 per cent of all passengers flying between Mexico and the US, where it has 12 destinations. In total it transported about 8m people in 80,000 flights last year.

The airline has ambitions to fly to European destinations including London, which has no direct connections with Mexico City. The way has been opened for the re-establishment of such a service by a UK-Mexican government-to-government agreement.

Mexicana's fleet is composed of 38 Boeing 727s purchased seven to eight years ago and six McDonnell-Douglas DC-10s delivered five years ago.

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INTERNATIONAL CAPITAL MARKETS

Mercedes-Benz subsidiary in C$75m five-year issue

By Andrew Freeman

TARGETED deals dominated limited new issue activity on the Eurobond market yesterday, as borrowers stayed on the side lines. Several sterling deals were lined up ahead of the UK trade figures, but proved impossible to launch as the market reacted to news of the latest deficit.

INTERNATIONAL BONDS

Deutsche Bank Capital Markets was the lead manager of a C$75m five-year deal for Mercedes-Benz Credit of Canada, a US-based financing subsidiary of the German parent company. The bonds offered a 10¼ per cent coupon and were priced at 101⅝ to yield some 49 basis points over the equivalent Canadian government issue.

Traders reported a strong reception. "This is one of those names that sells itself," said one dealer, who added that the pricing seemed correct. Interest was reported from the retail networks in Germany and Switzerland, as well as from professional spread traders. The lead manager was quoting the paper at less 1½ bid, inside full underwriting commissions of 1⅞ per cent.

The Ecu sector was tapped by the Electric Power Development Corporation, a Japanese utility. WestLB was the lead manager of an Ecu65m seven-year deal which was launched with an 8⅝ per cent coupon and carried a Japanese government guarantee.

The paper had a good start, trading well inside full fees at less 1.40 bid as retail demand chased the rarity value of the guarantee. Proceeds were swapped into fixed-rate yen.

The comparison on all traders' lips was with the Japan Highway issue in early June, which carried a 9⅛ coupon and was yielding around 8.62 per cent yesterday. Dealers said yesterday's bonds looked cheap, but were well priced in view of the likely lack of liquidity.

Yamaichi issued a $150m secured deal for Hokkaido Electric Power. The seven-year bonds came with a 9⅛ per cent coupon and were priced to yield 9.18 per cent at less full fees of 1⅞ per cent.

A A$50m deal for Australia Gas & Light brought by Crédit Commercial de France was aimed at retail investors and was quoted on fees at less 1¼ bid. The proceeds were unswapped.

In Switzerland, a straight SFr75m three-year issue for Finnish Export Credit brought by Banque Paribas had a good reception.

The bonds were offered with built-in currency options allowing the borrower to redeem in Swiss francs or US dollars at a fixed rate. The paper was quoted by Paribas at less 1¼ bid, inside full fees of 1⅝ per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Hokkaido Electric Power(b)◆	150	8⅞	101.80	1996	1⅞/1⅛	Yamaichi Int. (Europe)
Mitsubishi Bk Australia(c)◆	50	8½	101⅞	1994	1⅞/1⅛	Mitsubishi Finance Int.
CANADIAN DOLLARS						
Mercedes-Benz Cr. Canada(b)	75	10¼	101⅝	1994	1⅞/1¼	Deutsche Bank Cap.Mkts
AUSTRALIAN DOLLARS						
Australian Gas & Light(b)◆	50	16½	101.95	1991	1¼/¾	CCF
ECUs						
Electric Power Dev.Co.(b)◆	65	8⅝	101⅜	1996	1⅞/1¼	WestLB
SWISS FRANCS						
Finnish Export Credit(a)♥◆	75	8⅝	101⅝	1992	1⅜/1¼	Banque Paribas (Suisse)
Dai-Ichi Kangyo Oenki(d)★◆	80	(⅞)	100	1994	1⅝/1½	Banque Paribas (Suisse)

★★Private placement. §Convertible. ♥With built-in currency options. ◆Final terms. a) Borrower can redeem in either SFrs at par or in US$ at fixed rate of SFrs1.62 per $. b) Non-callable. c) Call after 2 years at par. d) Indicated yield to put 4.188%.

Shearson director moves to Dresdner

By Andrew Freeman

MR HANSGEORG Hofmann, a managing director of Shearson Lehman Hutton International and one of the senior figures on the Eurobond market, announced yesterday that he will be leaving Shearson to take up a position with Dresdner Bank in Frankfurt.

Mr Hofmann said he was parting on the best of terms and would be joining Dresdner in October. He spent two and a half years in charge of Shearson's global finance division with responsibility for swaps, syndication and new issue coverage.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on August 23

US DOLLAR STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS — [illegible]

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Hongkong Bank tears up colonial ordinance

Michael Marray on the voluntary lifting of a veil of secrecy from a register of shareholders

The register of shareholders in Hongkong and Shanghai Banking Corporation will soon be open to the public gaze for the first time, following an announcement by the bank this week that it is to amend its statutory framework and voluntarily submit to the territory's Companies Ordinance.

For more than a century the bank has been given special dispensations under its own ordinance.

However, the register, containing around 180,000 names, is unlikely to provide too many surprises as Hongkong Bank is not intending to relax the rule forbidding any one shareholder to hold more than 1 per cent of the company without the prior approval of the board.

Hongkong Bank's best-kept secret will not see the light of day either as the Companies Ordinance still permits banks in Hong Kong to maintain hidden inner reserves.

One area in which the changes will have some effect is the raising of capital, allowing Hongkong Bank to issue perpetual preferred stock, which is not currently possible under its own ordinance. Mr John Gray, finance director, said that the bank already issued perpetual floating rate notes which qualify as debt capital but now would be able to issue perpetual preferred stock convertible under certain circumstances into common equity – ranking as tier one capital for the purposes of international capital adequacy standards.

Mr Gray said that there were no plans to rush into an issue. One could proceed, he said, if and when the pricing and time were right. "It is just another arrow to our bow and it is a better arrow than the tier two arrow," he said.

With effect from late 1988, banks in Hong Kong had to meet capital adequacy requirements set at 5 per cent, but under the Basle agreement this will rise to 8 per cent by 1992, and possibly even sooner in Hong Kong.

Mr Gray said Hongkong Bank can meet requirements both under the existing Banking Ordinance and under Basle, "but obviously, like everybody else, we are planning ahead." The next 18 months could require decisions of considerable strategic importance for the bank, and uppermost in investors' minds is the link with Midland Bank of the UK, which recently made huge provisions against its own Third World debt.

Hongkong Bank owns a 14.9 per cent stake in Midland, but when a three-year standstill agreement expires at the end of 1990, a full marriage, involving a merger or takeover one way or the other, could be on the cards.

Other partnerships are also possible, such as a close link via an equity holding with a Japanese financial institution. A 1 per cent stake in Hongkong Bank was revealed in April by Dai-Ichi Mutual Life Insurance, Japan's second-largest insurance company.

It was built up over two months for around HK$375m. Dai-Ichi Mutual informed the bank in advance of its intentions, and saw the investment as paving the way for broader co-operation, but so far little has been discussed.

Various minor changes associated with the move to come under the Companies Ordinance are also seen as a tidying up exercise, modernising the regulatory framework to smooth the path for any significant restructuring in the future.

Hongkong Bank has simply argued that operating under its own statutory framework led to suggestions that the bank enjoyed a privileged position, and that its unique status had come to be regarded as a historical anomaly – certainly true of an ordinance with colonial sounding titles such as comprador, shroff and "servants or clerks;" these last are being amended to "employees."

Under the restructuring, the bank's current ordinance will still take precedence over the Companies Ordinance, and the planned changes are themselves subject to the approval of the Hong Kong Governor.

"We think the changes are sensible," said Mr David Nendick, Monetary Secretary, arguing that the rather archaic ordinance did tend to cause a certain amount of puzzlement.

Mr Robert Owen, chairman of the watchdog Securities and Futures Commission, said that, although the changes were minor, he welcomed the step because "it removes an anomaly."

Wang selects former GE executive to lead revival

By James Buchan in New York

WANG LABORATORIES, the Massachusetts computer maker which is in severe financinl difficulties, yesterday hired an experienced former executive of General Electric to head attempts to turn round its faltering business.

The appointment of Mr Richard Miller, 48, as president and chief operating officer comes just two days aftar Dr An Wang, the company's chairman, successfully negotiated a $575m line of credit from a group of bankers.

Wall Street, which became seriously alarmed abont Wang's future two weeks ago, has been reassured by Dr Wang's energetic actions this week, in spite of his bad health.

Wang stock, which traded as low as $5¼ during the grueling bank negotiations, perked up another $¼ to $6¼ yesterday morning.

Mr Miller headed GE'a $3.3bn consumer electronics business but quit half way through last year, shortly after the company was transferred to Thomson-CSF of France as part of an asset swap. In the 1970s he helped supervise the recovery of Penn Central from a bankrupt railroad to a cash-laden conglomerate.

Mr Miller is regarded on Wall Street as an able businessman in his own right and as a man who prospered at Mr Jack Welch's GE, which is seen as a nursery of good managers.

But Mr Miller faces formidable challenges. He must move quickly to put the company's banking relationships on a firmer footing. These were strained during days of negotiations in Wang's hometown of Lowell, Massachusetts. Bankers involved say the talks very nearly collapsed last week.

He must sell assets to help reduce the company's $900m in debt and cut the company's high overhead to conserve cash. Analysts believe Mr Miller will be forced to fire people at headquarters in Lowell and this will not be easy at a family company.

Mr Miller must also develop a new approach to Wang's main minicomputer market, which is in decline. And he must work closely with Dr Wang, 69, who founded the company as an immigrant from China in the early 1950s and who controls 40 per cent of the company's voting rights with his family.

GrandMet told to sell 20 betting shops

By David Churchill, Leisure Industries Correspondent, in London

GRAND Metropolitan, the UK brewing and leisure group, has been ordered by the Monopolies and Mergers Commission, the UK regulator, to sell off about 20 of its betting shops following its £331m ($522m) takeover of the William Hill betting shop chain late last year.

The commission, in a report pnblished yesterday, found that the takeover was not expected to operate against the public interest apart from in a small number of local areas, mainly in London.

As a result it said the takeover should be allowed as long as GrandMet undertook to dispose of the 20 or so betting shops to another bookmaker in the London area.

Mr Nicholas Ridley, Trade and Industry Secretary, yesterday accepted the commission's recommendations in full and asked the Director General of Fair Trading to seek the undertakings from GrandMet.

Mr David Tagg, a director of GrandMet and chairman nf William Hill, said the company was "very pleased with the outcome of the commission inquiry." The company would give the undertakings to the Director General and implement the sale as soon as possible.

The report came as a relief to GrandMet as the commission's inquiry was only initiated in April soms four months after the company had unconditionally acquired the William Hill betting shop chain from Sears in a deal worth £331m.

GrandMet wanted to add the William Hill shops, the fourth largest chain, to its existing Mecca Bookmakers group, the second largest betting gronp. The combined gronp, the report said, now accounted for 23.2 per cent of the market by turnover and 15 per cent of all betting shops in the UK.

GrandMet believed that the OFT would see the merger as creating more effective competition in the betting shop business, described by the report as "a significant leisure industry with total money staked of over £5bn a year." However, the Office of Fair Trading was concerned at the lack of competition in the London area.

Since the merger GrandMet had gone soma way to alleviating the OFT's concern by disposing of 119 betting shops. The commission, however, felt that about a further 20 disposals were needed and has given GrandMet six months to find a buyer.

Birth of an Australian gold giant

Chris Sherwell on a deal recasting Poseidon into a bigger mould

A new gold giant has emerged in Australia, temporarily garbed in an old name but showing all the seductive signs of promise that enthuse bankers and brokers just as much as investors.

It is Poseidon – the name synonymous with the nickel boom of the late 1960s – and late on Tuesday, in a complex deal with Mr Alan Bond, the debt-strapped entrepreneur, it moved into the big league by winning effective control of the Super Pit development at Kalgoorlie.

The deal gives Mr Robert Champion de Crespigny, another Perth entrepreneur and the man behind Poseidon, management of some 800,000 oz of gold being produced each year – second only in Australia to Western Mining Corporation.

But it also complicates further the awkward corporate structure he controls, which embraces Normandy Resources at the top, Poseidon, Pan Ocean Resources, Australian Development (known as Aussie Devils) and, now, Gold Mines of Kalgoorlie (GMK).

Tuesday's deal is complicated, but essentially it is a move by Mr Champion de Crespigny back into the very operations he sold to Mr Bond in late 1987.

Not only is he re-entering for no cash outlay; he is conveniently doing so in the wake of some heavy capital investment on the Super Pit.

Mr Bond had long dreamt of developing the pit, making one of the largest such holes in the world, at 5km long, 2km wide and up to 500 metres deep. With output of some 800,000 ounces a year, it was to be one of the biggest gold mines in the world outside South Africa.

Golden deal: Robert Champion de Crespigny (left) moves into the big league with Poseidon group following the complex agreement with debt-strapped Alan Bond

For 18 months he has been engaged in a complex restructuring of interests in the so-called Golden Mile to push the project ahead.

On one side has been Homestake Mining of the US. On his side he has put together GMK and North Kalgurli Mines under his own Bond International Gold (BIG) umbrella.

Now Mr Bond's crushing debt problems, including those within GMK, have forced him to yield – and to do so to Poseidon, which helped set the ball rolling in 1987 when it sold to GMK its half share in a company called Kalgoorlie Lake View.

It is that transaction, worth A$375m (US$286m), which explains how Poseidon will pay for this week's deal.

The A$375m was made up of A$200m in cash, 214,000 oz of gold with delivery over six years and a A$25m note payable in seven years or convertible within two years into 5m GMK shares.

Under Tuesday's agreement Poseidon will:

● Receive just under 10 per cent of GMK – 38.7m shares at 75 Australian cents a share. In consideration it will cancel the A$25m note and reduce by 28,800 oz the 169,500 oz of gold still due to it.

Poseidon will also release the security it holds over GMK's 25 per cent interest in another project, the New Celebration joint venture.

● Acquire Bond Gold Australia, the company which manages the GMK group for a fee of 1.25 per cent per year of GMK's total gold production, and its 45m shares in GMK.

In consideration it will give BIG a gold note of 136,000 oz deliverable over four-and-a-half years.

● End up with a 19.7 per cent (diluting to 18.7 per cent) holding in GMK and four nominees on GMK's board. As a condition of the transaction, it is also demanding from GMK's bank lenders a reduction in GMK's approximately A$560m of debt and an extension of its maturity.

As Mr Champion de Crespigny has pointed out, the transactions are effectively an exchange of part of Poseidon's existing investment in GMK (in the form of a gold note and a gold receivable) for a significant shareholding in the company together with board and management participation.

From its earlier sale it will continue to receive almost 30,000 oz per year from GMK, and it will now be paying out 41,000 oz to BIG. But with 20 per cent of GMK, it can add around 70,000 oz to its share of gold production.

Add this to Mr Champion de Crespigny's existing gold production through Aussie Devils and Poseidon's Kaltails, Mt Morgan and Karonie operations, say broking analysts, and the group will rank alongside all the other major Australian producers save Western Mining.

That includes Homestake, Newmont, Placer Pacific, ACM, BHP Gold and Dominion, all of which are in the 200,000 oz to 400,000 oz per year range.

On the basis of gold production under management, his group will stand a clear second to Western Mining.

Analysts forecast that Mr Champion de Crespigny may next seek to expand his GMK holding above 20 per cent. First, however, he will continue with his announced plans to put his gold interests – including, now, the GMK holding – into Aussie Devils.

At the end of the day, in other words, the real giant is not to be Poseidon, despite this week's announcement.

Asko axed from Euro-alliance

By Laura Raun in Amsterdam, Andrew Fisher in Frankfurt and Maggie Urry in London

ASKO, the West German foods retailer, has secretly amassed a 14 per cent in Ahold, the Dutch foods group, and as a result has been abruptly ousted from a four-way consortium aimed at creating a European food-retailing alliance.

In a terse statement yesterday Ahold said that after consultations with Argyll of the UK and Casino of France, the other partners in the consortium, Asko was told it could no longer participate.

The German retailer bought 12 per cent of Ahold's shares from SHV, the privately held Dutch retail and energy group, and another 2 per cent through the stock market. The stake is worth abont Fl 350m ($160m).

Ahold said: "The formation of a European collaboration is a delicate operation which can only succeed if all the partners completely trust each other."

Ahold is the largest grocery store chain in the Netherlands with 1988 earnings of Fl 146m on sales of Fl 15.38bn. It commands 34 per cent of the Dutch retail food market.

Asko said yesterday it regretted the consortium's action. It now planned to pursue its own European strategy.

The company said it informed Ahold of its stake 14 days ago. This was before the news of the purchase of SHV's stake had been released, but after it had taken place.

The German company said that talks with Ahold had inclnded the possibility of cross-shareholdings. Mr Helmut Wagner, Asko's chief executive, recently referred to the possibility of an equity link with Ahold, adding that a "limited" stake of 15 to 20 per cent was conceivable.

One of Asko's management board members, Mr Fred Lachotzki, deputy chief executive, previously worked for Ahold for 13 years. A Dutchman, he joined the Asko board last year.

From the first the co-operation arrangement between Ahold, Argyll and Casino, formed in May, envisaged including in its core group a fourth food retailer, from the important West German market.

A meeting of the three is scheduled for Friday and is likely to discuss which other German food retailers might be invited to join. One name being mentioned yesterday was that of Rewe-Leibbrand, a private German company.

Food retailers from other European countries are also expected to join the group, although not in the core group. La Rinascente of Italy is understood to be one. Other names will be announced during the autumn.

The alliance is seen as important as food retailers face the power of pan-European consumer goods manufacturers in a single European market.

The consortium is discussing co-operation on a wide variety of issues such as buying, marketing, prodnction, distribution, development of store formats, and information technology systems.

Mayne Nickless surges ahead

By Chris Sherwell in Sydney

MAYNE NICKLESS, the Australian-based international transport and security services group, yesterday reported further rapid growth in annual sales and profits, but expressed cantion about the current year.

After-tax operating profit for the year to June advanced 37 per cent to A$113.9m (US$87.6m) on revenues of A$1.92bn, a rise of 18 per cent. Equity-accounted profits were A$120.2m on revenues of A$2.42bn.

Earnings per share increased to 57.4 cents from 45.9 cents after adjustment for a bonus issue. Directors declared a final dividend of 18 cents, making a total of 33 cents, fully franked for local tax purposes.

The most disappointing area was the Loomis Armoured security business in the US, which recorded its first loss and left the group's overall US operations in the red by A$2.4m. Sale of all or part of the business is now under consideration.

The poor performance was responsible for a deterioration in revenues and profits for the group's security services division, in spite of strong results from its Australian, Britisb and Canadian operations. The division's profit contribution before interest dipped to A$60.8m from A$63.9m on revenues of A$620m, down from A$643m.

The transport services division, on the other hand, showed a strong improvement, with a profit contribution before interest of A$88.8m, np from A$63.6m, and revenues of A$1.09bn from A$812m. Other services, which include payroll businesses and hospital management, also expanded.

Althongh the group has a strong international presence, with half its employees abroad, its Australian businesses continue to dominate, with profits before interest of A$166m, up from A$123m.

The second largest contribution, of A$17.9m, came from tha UK, whera revenues jumped to A$203m.

On the outlook, Mayne Nickless said that early results for the current year were well ahead of the sama period last year. But it added that market signals were uncertain and that a cautious approach was being adopted.

New Zealand TV network plans float

NEW ZEALAND'S TV3 Network will float shares a month before it launches the country's third and only private television network in November, Reuter reports from Auckland.

TV3 said it would change its share structure in readiness for the flotation and has offered to swap its own shares, one-for-one, for the stock it does not already hold in four of its regional companies.

Following the restructuring, 4.28m new shares will be issued.

The company said it was expecting the issue price to be in excess of the NZ$2.25 (US$1.34) subscribed by investors earlier this year.

After the restructuring 30.3m shares will be held by NBC of the US, a General Electric unit, making it the leading shareholder with 15 per cent. Other shareholders include National Mutual with 12 per cent, Metromedia with 11 per cent, National Provident Fund with 6 per cent and Radio Pacific with 4.5 per cent.

Ord O'Connor Grieve, the organising broker, said TV3 would be listed in late October.

The flotation will be the country's second since the 1987 stock market crash. Air New Zealand is expected to float shares in the next two months.

● Television Broadcasts, a Hong Kong broadcasting group spun off from HK-TVB, yesterday announced that net profits fell 15 per cent in the first six months, while profit at TVE (Holdings), the renamed former parent company that retains entertainment, leisure and publishing interests, rose 22 per cent, AP-DJ adds from Hong Kong.

Television Broadcasts' net profit shrank to HK$158m (US$20.3m) from HK$186m while turnover rose 10 per cent to HK$600m from HK$545m. The year-earlier figures are pro-forma, adjusted to take into account e reorganisation in November.

The group's board proposed an interim dividend of 20 cents a share.

It attributed the earnings decline to high operating costs, due to keen competition in the TV industry for staffing and programming, in spite of growth in revenue from advertising and programme licensing.

TVE's net profit rose to HK$22m from a pro-forma HK$18m as turnover climbed 24 per cent to HK$230m from HK$186m. An interim dividend of 2 cents a share was proposed.

The group said it benefited from strong contributions from rentals and the entertainment and leisure business, but its retail arm suffered a decline dne to fierce competition in the video rental sector.

TVE sounded an optimistic note for the second half, saying it would continue to strengthen its core businesses. The group added that the final dividend was expected to be not less than 2 cents a share.

NatNed lifts payout after gain

By Our Financial Staff

NATIONALE Nederlanden, the biggest Dutch insurance group, yesterday reported higher net profits for the first half of 1989 and forecast an increase of at least 15 per cent in earnings for 1989 as a whole.

Net profits for the first six months rose to Fl 389.6m ($178.7m) from a re-stated Fl 299.5m a year ago, following an advance in turnover to Fl 12.17bn from Fl 10.04bn. NatNed made net profits of Fl 787m for all of 1988.

NatNed said that net earnings per share this year were likely to equal or surpass the Fl 5.38 of 1988, taking account of a 15 per cent rise in the nnmber of shares in issue. Turnover for 1989 is expected to show a "marked rise."

In the meantime the interim dividend is increasing to Fl 1.40 per share or 2.5 per cent in new shares from Fl 1.325 in cash or 3 per cent in new shares.

The gronp said continued strong demand for new life insurance squeezed first-half profits in that sector. Production and installation costs for new policies were booked immediately, while profits flowed in later.

Contribntions from newly acquired life insurance businesses in the US and Canada pushed up life operating profits by 18 per cent to Fl 182.8m.

Damage insurance showed a 44 per cent rise in operating profits to Fl 106.3m, reflecting improvements in all geographical areas except North America, where profits were hit by higher payments on health and accident policies and by large claims. Motor insurance posted losses in all areas expect in the Dutch domestic market.

● Two other Dutch insurance groups also announced six month results. Amev's profits advanced 23 per cent to Fl 166.1m after tax while Stad Rotterdam posted net profits of Fl 33.7m, against Fl 29.1m for the first half last year.

Amev said it expected profits overall in 1989 to progress in line with the interim performance. It was paying an interim dividend of Fl 80 cents a share, up from Fl 75 cents.

Stad Rotterdam, which improved midterm turnover to Fl 1.01bn from Fl 907m, said it expected current half-year turnover and profits to match the interim performance.

Veba first-half net increases to DM397m

VEBA, the West German energy, chemicals and oil gronp, said net profit rose 19 per cent in the first half of 1989 to DM397m ($204.6m) from DM335m a year earlier, AP-DJ reports.

Second-quarter net for the company was 15 per cent above the year-earlier figure, climbing to DM172m from DM150m.

All divisions contributed to the growth in earnings, particularly the oil division. Veba expects earnings for the whole of 1989 to show an increase.

First-half group sales rose 14.3 per cent to DM24.38bn from DM21.34bn while revenues in the second quarter were about 10 per cent higher at DM11.9hn, against DM10.85bn.

Cathay Pacific climbs 33.5%

By Michael Marray in Hong Kong

CATHAY PACIFIC Airways, the Hong Kong-listed airline which is part of the Swire Pacific group, yesterday reported a 33.5 per cent increase in first-half net profits to HK$1.36bn (US$174.4m) but said the rise reflected an improved return on funds invested and that operating profits actually fell by 5.4 per cent. Turnover rose 18.8 per cent to HK$8.26bn.

Mr David Gledhill, chairman, said load factors were slightly higher than in the previous interim period bnt margins were reduced by cost increases.

Net finance charges fell to HK$24.7m from HK$418.2m previously, when there were substantial losses on investments in bonds. Interest expenses also declined, reflecting good cash flow generated from airline operations.

Airline unit operating costs, excluding sales commissions and net finance charges, were HK$2.70 per available tonne kilometre compared with HK$2.34. The main increases were in fuel, maintenance and personnel.

The first of the company's firm orders for seven Boeing 747-400 ultra-long-range aircraft was delivered in June, and two TriStars were also acquired during the first half. Mr Gledhill said increasing costs would also affect profitability in the second six months.

In addition, althongh regional traffic demand is being sustained generally at high levels, there has been a slight impact on some services caused by the crackdown in China.

Prospects for the full year should be viewed with caution, Mr Gledhill warned. Any improvement over 1988 profit levels was likely to be modest.

A dividend of 10.5 cents per share was declared, up from 9 cents.

● Sime Darby Hong Kong, 74.9 per cent held by the Malaysian Sime Darby conglomerste, boosted net profits nearly 2½ times in the year to June to rescb HK$393.5m from HK$150.5m. Turnover was HK$2.98bn compared with HK$2.19bn.

The total dividend is being lifted to 35 cents from 20 cents.

DAF advances 29% midterm

By Our Financial Staff

DAF, the Dutch truck maker which is 16 per cent owned by the Rover group of the UK, yesterday announced a 29 per cent increase in net earnings to Fl 74.5m ($34.2m) for the first half of 1989.

The company, which was floated on the Amsterdam and London stock exchanges earlier this summer, said turnover for the six months improved to Fl 2.38bn from Fl 2.35bn while operating profits rose to Fl 96.9m from Fl 74.9m.

DAF, which unlike most other European truckmakers does not have any car interests, said it expected the positive trend in net earnings to continue throughout the current six months.

For 1988 as a whole it achieved net profits of Fl 147m on a turnover of Fl 5.2bn.

The group's earnings per share net rose to Fl 2.57 for the six months from Fl 2.02.

Shares in DAF were heavily oversubscribed when issued simultaneously in Amsterdam and London in June, with investors snbmitting applications of Fl 16.8bn for the Fl 843m worth of stock on offer.

Demand from Dutch investors was particularly heavy.

The company has a near 10 per cent share of the European market for trucks above 3.5 tonnes gross vehicle weight.

Firm European sales aid rise at Atlas Copco

By Robert Taylor in Stockholm

ATLAS COPCO, the Swedish mining, construction and industrial equipment manufacturer, yesterday reported a 34 per cent rise in profits after financial items to SKr712m ($108.2m) for the first half of 1989.

Invoiced sales over ths same period advanced by 23 per cent to SKr7.36bn, mainly reflecting strong demand in westsrn Europe. The trend is expected to remain strong during the rest of the year.

Atlas Copco's profit margin rose from 8.8 per cent to 9.7 per cent while earnings per share increased by 57 per cent after a bonus issue to SKr22.90, compared with SKr14.55.

The company said there was some fall-off in tbe North American market but added that sales of industrial products there continued at n high level. Mining companies were also showing a continued willingness to invest and sales in these areas were satisfactory.

A breakdnwn of business area performance suggests that the company is doing well in all sectors.

Canadair's plans for bigger Regional Jet take wing

Robert Gibbens on initiatives designed to keep Bombardier's aerospace unit busy through the 1990s

Tha Canadair aerospace division of Bombardier is actively considering 60- and 70-seat versions of its 50-passenger Regional Jet (RJ) airliner, due for delivery in the first half of 1992.

Mr Robert Wohl, president of the RJ division, stressed that once detailed design for the 50-seater RJ was completed, Canadair would look closely at potential markets for the larger versions, while planning the next-generation Challenger business jet.

In March Bombardier gave the green light for the C$275m (US$235m) 50-passenger RJ design and development programme. The jst is to be assembled nt an expanded Canadair plant at Dorval airport, Montreal, where the Challenger assembly line will also be moved.

The RJ is a stretched version of the Challenger, developed in the 1970s at a cost of more than C$1bn before Canadair was bought by Bombardier, a diversified transport equipment group with plants in the US and Europe.

Canadair's main plant in suburban Saint Laurent, which assembled hundreds of aircraft during and after the Second World War, will become a fully modernised manufacturing centre producing sub-assemblies for North American aircraft manufacturers, and for Aerospatiale and British Aerospace and their Airbus 320 and 340 programmes.

Canadair has 116 orders and options so far for the 50-passenger RJ.

Short Brothers of Northern Ireland, now owned by Bombardier, will play a role in the RJ programme. It has won its first RJ airframe component order as n result of, Mr Wohl insisted, "straight competitive bidding."

He said thet although there would be increasing linkage between the two firms, Canadair was not raiding Shorts for engineering talent and technicians.

Canadair would soon have 600 staff, including 350 engineers, working on the RJ design and development phase. Once the assembly operation was in place, by 1994/1995, the programme would employ nearly 3,000. The larger version of the RJ and the next-generation Challenger would comprise a family of aircraft to keep this wnrkforce busy through the 1990s.

The basic 50-passenger RJ will cruise at 530 mph for distances of up to 1,700 miles, using the same General Electric CF34 engines as the Challenger. It will work routes where traffic is insufficient for heavy jets and will fly into noise-sensitive airport.

"We are not trying to compete with Fokker and others in the 100- to 120-seat market," Mr Wohl said. "That would not make sense."

Ordere for manufacturing equipment and for the RJ landing gear and flight-control activation have gone out. About half the US$14m to $15m value of the aircraft represents the engines and other equipment derived from the US.

Canadair will deliver 13 jets in 1992, 35 in 1993 and 48 in 1994. Tbe market is for between 800 and 1,000 aircraft and Canadair expects to get half of that.

Mr Wohl said there could be a market for between 300 and 400 70-passenger RJs. "We can't downrate a larger existing engine because of weight and other problems. We need a new engine and we're talking to several companies, including Pratt & Whitney, General Electric and Rolls-Royce."

For the 60-passenger version, GE have offered to uprate the CF34 engine by 15 per cent.

"It's for the airlines to decide the economics of 10 more seats and for us to balance out the development costs. But e commercial aircraft must stand 3,000 flying hours per year against 600 for a business jet," Mr Wohl said.

The prospective RJ markets will be helped by tbe retirement over the next few years of aircraft such as the BAC-111, the F-28 and DC-9.

Ths next-generation Challenger will be slightly larger and have a longer range. While still rated in the 9- to 18-seater category, it will offer many more options to buyers.

BOMBARDIER, the Canndian transport products group, showed only a small gain in profits for the first half in spite of a 26 per cent jump in sales, writes Robert Gibbens in Montreal.

The company said the revenue increase was due to the successful introduction of its recreational watercraft, a water version of its famous snowmobile. Performance at the aerospace division was stable.

However, the marine products division did not contribute mnch to overall earnings because of the high costs of launching the watercraft in North America.

Net earnings for the six months to June were C$42.5m (US$36.3) or 49 cents a share, against C$42.1m or 49 cents a year earlier on fewer shares outstanding. Sales were C$776m against C$616m.

For ths second quarter alone, profit was C$21.1m or 26 cents against C$23.6m or 27 cents, on sales of C$412m against C$289m.

Bombardier is starting work on Airbus component contracts and, with its Belgian subsidiary, is participating in the design and manufacture of the Eurotunnel rail cars.

Canadair's 50-seater Regional Jet

INTERNATIONAL CAPITAL MARKETS

Scrimgeour to launch sector index futures

By Stephen Fidler, Euromarkets Correspondent

AN investment product to be launched in September by Citicorp Scrimgeour Vickers, the British stockbroker owned by the largest US bank, will allow futures trading in industry sectors of the UK stock market.

The product, new to the UK, will allow investors to buy or sell contracts for future delivery of a basket of stocks in certain industry sectors and has received the necessary regulatory clearance.

For the purpose, Scrimgeour is creating eight sector indices, each weighted by market capitalisation and containing every stock within Financial Times Actuaries sector, and the FT-SE 100 shares index.

On September 1, it will launch futures contracts on two sectors: Electronics and Telephone Networks and Oil and Gas, the latter chosen because the performance of that sector often runs counter to the whole market.

The remaining contracts will be added if and when there is investor demand.

The futures have been designed to complement the FT-SE futures contract on the London International Financial Futures Exchange: delivery months, last trading days and trading hours will be identical to the Liffe contract.

Like the Liffe contract it will be settled by cash – thus avoiding stamp duty – but Scrimgeour, as a market maker in every FT-SE stock, will undertake to settle by physical delivery of the stocks in the index. Liffe chief executive Mr Michael Jenkins said the product had the exchange's "full support".

Citicorp, which says this is start of a drive into the over-the-counter market in equity derivative products, is calling the product Futures for Index-related Sector Trading, First.

It says the stocks in its index offer an extremely close correlation with the performance of the FTA sectors. "Real-time" indices and indicative contract will be published on the Reuters Monitor.

Many investment institutions have not obtained permission from trustees to trade such over-the-counter products and there are regulatory obstacles for others, so it could be some time, perhaps 12 to 18 months, before it is known whether this product is to be a success.

SEC tweaks its regulations for a territorial future

The US watchdog is adapting its rules to modern global trading writes Janet Bush

The Securities and Exchange Commission, which regulates the US securities industry, is currently engaged in an intensive review of its regulations, in an effort to reflect the increasingly international nature of financial markets.

Much of the work in progress is not dramatically innovative but has simply brought some outdated regulations into line with modern market practice. However, the thinking behind most of the regulatory changes has plainly been forward-looking.

The SEC is moving gradually towards a territorial approach in which regulators would, in the broadest terms, tend to oversee activity in their own countries and time zones. "Multi-jurisdictional" is another central concept, which recognises regulatory power sharing with counterparts overseas.

Mr David Ruder, the outgoing SEC chairman who has worked hard to make progress on the programme of internationalisation started by his predecessor Mr John Shad, summed up what – at this cautious stage of change – seems almost futuristic.

"Either we are heading towards a single regulator of particular products or towards passing regulation through the time zones in a co-operative way," he said.

Ms Linda Quinn, director of the Commission's Corporation Finance Division, paints another picture of how future world securities regulation should look.

She believes that what regulators should aim for is a situation where no investor will choose to be active in one financial market over another because of, for example, the incentive of looser regulation or light disclosure requirements.

"The choice of market will purely be made on economic grounds," she said.

Behind current thinking there is undoubtedly concern that some of the more onerous US regulations and registration requirements not only make it more difficult for US institutions to internationalise their portfolios but put unnecessary hurdles in the way of foreign activity in US markets.

There is a clear desire to keep US markets as attractive as possible as a stopping place for global capital flows.

The SEC's campaign of modernisation, clarification and liberalisation is being carried on both at home, where SEC staff have been reviewing a panoply of market regulations, and overseas. Mr Ruder has been busily travelling the world, talking about harmonising regulations with several of his counterparts.

The SEC is also an active member of the International Organisation of Securities Commissions (Iosco). Iosco meets in Venice next month and will, among other things, present a report on the regulation of international equity offerings.

The approach so far taken by the SEC has had a cautious, detailed flavour to it.

Rule 144a, covering registration in the private placement market, is a case in point. In October, the SEC proposed a far-reaching liberalisation of the market. Institutions with assets of more than $100m would be able to buy and resell any privately-placed securities to similar institutions without having to register with the commission. Other categories of institutions with less invested were also included, but with restrictions.

Public comment applauded the aim of ensuring a more liquid private-placement market which would likely attract more foreign issuers, no longer faced with onerous documentation.

There were, however, concerns that the SEC had gone too far. Worry centred on whether such rule changes would create a powerful institutional private market which could erode the liquidity of public markets. There was also some worry that unregistered securities could seep into the public markets.

The SEC, for once finding itself more inclined towards dramatic change than the investment world itself, responded and re-proposed much more limited exemptions for comment.

It vastly limited the number of institutional buyers who would enjoy a registration safe harbour by setting a more stringent test. Now it is proposed that buying institutions should have $100m or more invested in securities.

In addition, the SEC said that its safe harbour would not apply to securities traded publicly on US exchanges or the Nasdaq system. It also suggested that the seller should provide certain basic information to the buyer on the business of the issuer and its financial statements in the case of private companies. This provision modified the central tenet of the SEC's thinking that certain institutional investors are sophisticated enough to fend for themselves.

Another restriction suggested in the modified proposal is that there would continue to be a two-year holding period for securities of foreign companies who do not report to the SEC.

Ms Quinn commented on what is clearly a compromise – the more radical October proposal might have had more theoretical purity but it was sensible not to "jump off a cliff" until it could be seen how the market developed.

In the case of Regulation S, there is a clear trend towards territoriality and clarity. The reproposed regulation simply defines in what circumstances an offshore transaction would be held to be outside US jurisdiction for registration purposes.

The new rule provides various safe harbours and at the same time seeks to minimise the use of these safe harbours as a way of making an indirect offering to US investors outside US oversight. Foreign issuers either aiming at their own country or with no substantial US market interest would be outside US jurisdiction if the offer and sale were offshore and there were no direct selling efforts to the US.

In the second category, foreign issuers even with a substantial US market interest as well as reporting US issuers, would enjoy a safe harbour as long as they did not attempt to resell securities into tha US or to US investors before 40 days. A third category of US and foreign issuers not reporting to the SEC would face tougher restrictions.

These detailed provisions, it is hoped, will encourage offers outside US borders simply because the rules are now clear-cut.

The Commission's Division of Market Regulation under Mr Richard Ketchum has drawn up a much more flexible set of rules for foreign broker-dealers doing business in the US, making registration requirements much less onerous.

In addition, a new conceptual approach is now out for comment which would exempt foreign broker-dealers from registering with the SEC if there were comparable regulation with their own authorities and if their business in the US were limited to major US institutional investors. Mr Ketchum believes this approach, which hangs on co-operation with overseas regulators and some dependence on their rules, reflects the real world of global securities trading.

Another example of this multi-jurisdictional approach is a new bilateral disclosure system with Canada, out for public comment, in which companies would be allowed to sell stock in both countries and be covered by disclosure rules in their own countries when selling stock in the other.

"The multi-jurisdictional disclosure system with Canada is the optimal kind of regulation in the long term," said Ms Quinn. "Securities should be able to be traded across borders with one set of documents and one tima schedule."

US Treasuries rise ahead of five-year note auction

By Janet Bush in New York and Norma Cohen in London

US TREASURY bonds moved higher in advance of yesterday's five-year note auction, amid reports that traders were squaring up short positions in the hope that recent rises in yields would attract better demand than seen at Tuesday's two-year sale.

INTERNATIONAL BONDS

At mid-session, the Treasury's benchmark long bond was quoted ¾ point higher to yield 8.20 per cent. This followed a loss on Tuesday of ¾ point. In the five-year area, the 8.825 per cent issue due 1994 was quoted ⅛ point higher to yield 8.30 per cent.

The market's near-term direction is likely to depend on how the $7.75bn five-year auction went. The rise in yields in recent sessions should make the issue somewhat more attractive and dealers were saying yesterday morning that the issue should attract more Japanese demand than the two-year, which saw little retail interest.

After the five-year issue comes today's auction of $9.25bn in one-year bills.

It was too early to tell yesterday what had been decided by the Federal Open Market Committee when it met on Tuesday. The Fed funds rate edged up to 9⅛ per cent at mid-session yesterday.

This gave a modest fillip to the dollar but was not regarded as significant in the bond market, as yesterday was the last day of the two-week statement period when Fed funds tend to be volatile.

The market will be watching carefully how Fed funds open today. This is usually a fairly good guide to where the Fed's target lies. There are, however, very few hopes of another Fed easing, given a run of upward revisions in key economic series which should lead to a substantial upward revision in second-quarter GNP growth from the 1.7 per cent gain reported in preliminary figures.

■ UK GOVERNMENT bonds tumbled on news of a much larger than expected trade deficit in July, leaving them about a point below the day's best levels. Prices ended about ¾ point below the previous close.

Prices had climbed slightly in early trade but the markets were clearly shocked by the £2.06bn current account deficit, the second highest monthly shortfall on record. Investors had been braced for a shortfall of about £1.4bn, in line with the declining trend seen in May and June. The effect of the trade data was buttressed by comments from Mr Peter Lilley, Financial Treasury Secretary, that UK interest rates would stay high for as long as necessary to curb inflationary trends.

While UK officials have been stressing the need for high interest rates to remain in place, investors have been focusing instead on signs that an economic slowdown is already under way. This had led to a downturn in money market rates in line with lower base rates.

Dealers said that while selling yesterday was largely professional, retail accounts were seen selling five-year to 10-year maturities, with no sign of bargain hunting as prices fell to the day's lows.

■ WEST GERMAN government bond prices closed almost unchanged after a day which largely tracked movements in the dollar. Prices initially gained five to 10 pfennigs as the dollar weakened overnight, with domestic markets shrugging off speculation on Tuesday in the US that a rise in West German interest rates is imminent. The Bundesbank's council, meeting today for the first time since 27 July, is expected to keep interest rates unchanged.

But bund prices were unable to hold their gains as the dollar firmed yesterday.

Meanwhile, the Bundesbank announced a DM9.5bn 35-day repurchase tender to replace DM8.4bn in maturing securities.

Rates accepted ranged from 6.65 per cent to 6.95 per cent, just slightly higher than those at the last tender.

SDS issue to raise DKr3.8bn

By Hilary Barnes in Copenhagen

SDS, THE Danish savings bank, plans to raise about DKr3.8bn through a share issue in September, of which about 10 per cent will be raised from institutional investors abroad.

The issue follows the conversion of the bank into a joint-stock company on August 17.

It will be by far the largest so far on the Copenhagen Stock Exchange and will increase equity capital in the SDS group to over DKr9bn.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	107-04	-10/32	10.73	10.66	10.94
		9.750	1/98	98-09	-22/32	10.05	9.97	10.24
		9.000	10/08	97-29	-24/32	9.23	9.14	9.34
US TREASURY *		9.125	5/99	105-10	+5/32	8.31	8.18	8.05
		8.875	2/19	106-12	+5/32	8.29	8.21	8.14
JAPAN	No 111	4.600	6/98	97.4012	+0.149	5.03	5.07	5.18
	No 2	5.700	3/07	106.9497	+0.100	4.96	4.99	5.02
GERMANY		7.000	2/99	101.6000	+0.100	6.77	6.68	6.68
FRANCE	BTAN	8.000	1/94	97.3464	+0.071	8.73	8.53	8.75
	OAT	8.125	5/99	97.6700	+0.040	8.47	8.34	8.53
CANADA *		10.250	12/98	104.5750	-0.100	9.49	9.44	9.37
NETHERLANDS		7.000	3/99	99.2500	+0.080	7.10	7.00	7.08
AUSTRALIA		12.000	7/99	94.1167	-0.367	13.07	12.96	13.48

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Aug 23 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Tue Aug 22 Index No.	Mon Aug 21 Index No.	Fri Aug 18 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	1004.65	+0.1	10.71	4.04	11.45	20.88	1003.55	1007.32	1012.97	805.56
2	Building Materials (29)	1212.87	+0.3	12.35	4.39	10.08	26.47	1209.59	1212.59	1215.08	1028.17
3	Contracting, Construction (37)	1393.64	-0.3	14.98	4.49	8.73	33.67	1398.16	1605.08	1608.23	1618.88
4	Electricals (9)	3005.00	-0.7	8.23	3.94	15.12	52.79	3027.03	2984.07	3018.94	2163.10
5	Electronics (30)	2248.42	+0.1	8.64	3.33	15.00	47.99	2246.18	2265.30	2281.55	1744.56
6	Mechanical Engineering (56)	544.84	+0.2	9.88	4.06	12.33	10.50	543.65	546.34	548.93	425.41
8	Metals and Metal Forming (6)	529.69	+0.6	19.43	5.66	5.67	14.84	526.68	528.45	527.84	488.37
9	Motors (17)	368.39	......	10.42	4.19	11.23	8.25	368.18	367.52	368.79	281.69
10	Other Industrial Materials (23)	1853.55	+0.1	8.41	3.79	14.19	34.02	1851.33	1859.93	1881.53	1311.05
21	CONSUMER GROUP (186)	1388.76	+0.5	7.04	3.88	16.02	22.10	1382.16	1383.22	1378.29	1081.85
22	Brewers and Distillers (22)	1561.77	+1.1	8.52	3.13	14.68	25.65	1544.53	1549.84	1552.90	1117.21
25	Food Manufacturing (20)	1198.70	+0.4	0.42	3.49	14.86	21.04	1193.98	1197.73	1281.82	967.53
26	Food Retailing (14)	2665.50	+0.7	7.50	2.59	17.64	38.37	2645.66	2645.38	2659.26	1956.97
27	Health and Household (14)	2653.31	-0.1	5.54	1.55	21.28	22.32	2655.13	2647.81	2604.54	1015.43
29	Leisure (33)	1788.92	+1.1	6.98	3.13	17.76	31.23	1768.98	1775.97	1777.80	1362.09
31	Packaging & Paper (15)	612.85	-0.4	9.55	4.05	13.23	9.63	615.02	619.26	619.97	525.11
32	Publishing & Printing (19)	3069.02	-0.6	8.21	4.30	15.69	88.95	3892.33	3903.44	3865.24	3514.07
34	Stores (34)	896.28	+0.6	9.79	4.87	13.52	17.82	891.32	889.65	885.23	800.39
35	Textiles (15)	585.46	+0.5	10.21	4.96	11.72	15.36	582.49	579.65	576.62	581.10
40	OTHER GROUPS (93)	1214.43	+0.3	9.56	3.96	12.71	23.13	1210.29	1211.58	1212.07	890.72
41	Agencies (17)	1597.34	+0.9	6.63	2.21	10.50	22.79	1583.02	1610.21	1608.87	1089.17
42	Chemicals (22)	1369.79	+1.1	10.83	4.53	10.88	40.83	1354.42	1340.26	1328.51	1043.96
43	Conglomerates (13)	1774.50	+0.1	9.63	4.60	12.21	20.35	1772.31	1782.97	1785.91	1212.98
45	Transport (13)	2408.69	+0.3	8.70	3.76	14.93	40.89	2401.84	2433.95	2467.26	1948.06
47	Telephone Networks (2)	1124.08	+0.5	10.89	4.42	11.97	22.38	1120.88	1126.83	1141.32	944.90
48	Miscellaneous (26)	1990.56	-0.2	8.52	3.20	13.30	29.04	1995.51	1974.45	1944.52	1214.56
49	INDUSTRIAL GROUP (486)	1257.28	+0.3	9.08	3.58	13.59	22.74	1253.00	1255.05	1255.02	970.86
51	Oil & Gas (14)	2161.18	+0.1	9.91	5.10	13.38	73.67	2159.70	2172.91	2183.91	1772.58
59	500 SHARE INDEX (500)	1334.73	+0.3	9.19	3.78	13.57	26.89	1330.64	1533.57	1334.40	1039.01
61	FINANCIAL GROUP (122)	808.77	+0.8	–	5.07	–	23.03	802.60	804.31	803.23	693.33
62	Banks (9)	820.07	+0.9	21.05	6.00	6.24	33.83	813.71	814.91	810.47	659.36
65	Insurance (Life) (8)	1227.03	+0.6	–	4.87	–	29.86	1219.51	1222.30	1217.54	1042.36
66	Insurance (Composite) (7)	645.63	+2.6	–	5.75	–	18.82	629.02	631.08	630.47	540.16
67	Insurance (Brokers) (7)	969.20	+0.5	7.79	6.40	17.27	31.89	964.03	971.02	954.29	985.63
68	Merchant Banks (10)	372.26	+0.6	–	4.26	–	7.36	369.91	371.65	372.54	353.47
69	Property (50)	1305.88	......	6.25	2.85	20.43	18.67	1386.19	1386.26	1393.30	1200.48
70	Other Financial (31)	368.63	-0.0	18.92	5.93	11.78	9.83	371.55	373.82	375.89	375.20
71	Investment Trusts (69)	1269.05	+0.2	–	2.64	–	16.93	1267.76	1269.76	1269.39	916.44
81	Mining Finance (1)	699.30	-0.4	8.55	3.67	12.97	13.84	701.86	705.71	714.69	534.62
91	Overseas Traders (8)	1400.23	-0.3	9.94	5.07	11.48	43.33	1405.15	1409.73	1415.69	1176.23
99	ALL-SHARE INDEX (700)	1205.70	+0.4	–	3.95	–	25.67	1201.50	1204.17	1204.75	950.34

	Index No	Day's Change	Day's High (a)	Day's Low (b)	Aug 22	Aug 21	Aug 18	Aug 17	Aug 16	Year ago
FT-SE 100 SHARE INDEX♦	2382.4	+11.6	2388.4	2363.9	2370.8	2374.7	2375.1	2360.8	2345.8	1819.2

FIXED INTEREST

	PRICE INDICES	Wed Aug 23	Day's change %	Tue Aug 22	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.38	-0.17	118.91	0.33	8.13
2	5-15 years	134.28	-0.52	134.98	–	9.16
3	Over 15 years	146.84	-0.67	147.83	–	8.39
4	Irredeemables	169.75	-0.50	170.60	–	7.32
5	All stocks	131.96	-0.42	132.64	0.12	8.84
	Index-Linked					
6	5 years	140.81	-0.23	141.13	–	2.26
7	Over 5 years	139.84	-0.51	140.55	–	2.66
8	All stocks	139.79	-0.49	140.47	–	2.61
9	Debentures & Loans	115.14	-0.02	115.16	–	6.77
10	Preference	89.33	......	89.33	–	3.54

	AVERAGE GROSS REDEMPTION YIELDS		Wed Aug 23	Tue Aug 22	Year ago (approx.)
	British Government				
1	Low	5 years	9.42	9.35	9.85
2	Coupons	15 years	9.12	9.06	9.51
3		25 years	9.05	9.00	9.19
4	Medium	5 years	10.36	10.25	10.24
5	Coupons	15 years	9.55	9.45	9.75
6		25 years	9.21	9.13	9.46
7	High	5 years	10.46	10.38	10.39
8	Coupons	15 years	9.75	9.66	9.89
9		25 years	9.37	9.29	9.46
10	Irredeemables†		9.10	9.04	9.77
	Index-Linked				
11	Inflation rate 5%	5yrs.	2.83	2.75	3.12
12	Inflation rate 5%	Over 5 yrs.	3.45	3.41	3.84
13	Inflation rate 10%	5 yrs.	2.00	1.92	2.02
14	Inflation rate 10%	Over 5 yrs.	3.27	3.24	3.67
15	Debs &	5 years	12.92	12.92	10.99
16	Loans	15 years	11.61	11.61	10.99
17		25 years	11.11	11.10	10.98
18	Preference†		10.21	10.21	9.85

♦Opening index 2371.1; 10 am 2364.5; 11 am 2387.3; Noon 2380.3; 1 pm 2369.2; 2 pm 2365.1; 3 pm 2367.7; 3.30 pm 2368.9; 4 pm 2373.5 (a) 10.49am (b) 1.51pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. NAME CHANGE: FKI Babcock (6) has become FKI.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	99	5
Corporations, Dominion and Foreign Bonds	1	11	32
Industrials	340	421	808
Financial and Properties	149	173	346
Oils	21	28	43
Plantations	2	0	9
Mines	23	30	121
Others	42	107	137
Totals	579	869	1,501

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
475	F.P.	-	92	75	♦Alpha Estates 5p	88		u2.81	1.9	4.3	16.6
‡33	F.P.	11/8	42	35	♦Ambassador Sec. Grp. 5p	40		-	-	-	9.5
57	F.P.	-	66½	61	Babcock Intl. Group 10p	64½	-½	u3.0	1.7	6.2	11.1
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]							

TRADITIONAL OPTIONS

● First Dealings Aug 21
● Last Dealings Sep 8
● Last Declarations Nov 23
● For settlement Dec 4

For rate indications see end of London Share Service

Calls in Haemocell, Bryant, Optometrics, MBS, Intermedia, P & O, Land Secs, Tavern, Ferranti, Amstrad, Far East Res, Ford Sellar Morris. Put Taylor Woodrow, Reuters.

LONDON TRADED OPTIONS

VOLUMES in the traded options markets have continued to increase from Monday's low levels, with 34,609 contracts changing hands. Traders seemed to be at a loss to explain the movements of the underlying market, which rose to new highs on the back of statistics showing an unexpectedly poor British trade performance in July which should be enough to scotch for now expectations of lower UK interest rates.

Options on the FT-SE continued the pattern of recent trading days, accounting for roughly one quarter of all the volume. Of the 8,242 contracts traded, some 5,119 were puts. This suggested institutional investors continued uncertain about current levels, and were using the options market protectively.

The actives list was headed by British Telecom, where an unusually large proportion of the contracts traded were puts, 3,391 out of 3,604. Most active series was the February 260 puts, where 1,861 were traded. Dealers reported much of this activity consisted of spread trading, some between the February and November 260 series.

Pilkington again featured, with 1,642 calls — 569 in the November 280 series — trading against 342 puts. Business was said to have been less one-sided than on Tuesday, with some profit taking. There were also reports that activity in warrants issued by the company had stimulated the options market business.

BP was the third most active, with 1,149 out of 1,446 contracts traded being calls, 684 of them in the October 300 series. This was followed by British Steel and Cable and Wireless, where 1,214 and 1,087 contracts were traded respectively.

Expectations that today's trading may prove more active were encouraged by the after-hours announcement from the Hoylake group, the consortium led by Sir James Goldsmith which is bidding for BAT Industries, had lined up a French buyer for BAT's Farmers Insurance subsidiary for $4.5bn.

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allid Lyons (*552)	550	36	49	67	22	34	57
	600	13	29	44	56	62	63
Brit. Airways (*198)	180	23	27	36	1½	4	7
	200	10	16	22	9	12	15
	220	3	7½	15	26	26	28
Brit Com (*169)	140	36	40	–	1	5	–
	160	22	25	31	6	11	14
	180	9	17	25	17	20	24
Smthk Bchm (*576)	541	50	70	–	7	14	–
	550	–	–	80	–	–	20
[illegible]							

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Storehouse (*138)	130	14	19	22	4	6	8½
	140	7	13	17	8	10	12
Trafalgar (*406)	377	40	46	–	6	11	–
	390	–	–	48	–	–	20
	420	13	20	32	27	50	36
Utd.Biscuits (*389)	360	43	57	69	6	10	13
	390	26	39	51	17	23	26
	420	15	24	36	38	41	43
Unilever	550	107	120	–	1½	4	–
[illegible]							

Option		Calls Sep	Calls Nov	Calls Jan	Puts Sep	Puts Nov	Puts Jan
Abbey Nat. (*147)	140	10	15	19	1½	2½	3
	160	2	5	7½	13	13	14
ASDA Grp. (*196)	180	20	28	34	3	5	7
	200	8	16	21	9	15	14

Option		Calls Sep	Calls Nov	Puts Sep	Puts Nov
Gateway (*237)	220	13	–	1	1
	240	1	1	–	11

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Amstrad (*70)	70	7	11	16	5½	7	9½
	80	2½	7½	11	12	15	17
[illegible]							

UK COMPANY NEWS

AT Trust at £1.3m and expanding

By Clare Pearson

AT TRUST, the finance, property and leisure group, is purchasing Chef's Apprentice, a "food concept" marketing and product company, and the Bowler Hat Hotel in the Wirral, north-west England, for a combined consideration of £3.4m.

The purchase of Chef's Apprentice brings on board Mr Roy Ackerman, deputy chairman of Kennedy Brookes before its takeover by Trusthouse Forte, to head AT's leisure division.

AT also yesterday announced results for the year to end-April showing pre-tax profits up from £169,000 to £1.33m, and reflecting the transformation of the company, previously called Astra Trust, being effected by Mr Theo Paphitis, chairman.

The chief changes were the disposal last November of Aston Hippodrome to Pavilion Leisure, and the £14m acquisition in March of Splash Products, a T-shirt company and character merchandiser.

For Chef's Apprentice, AT is issuing £1.2m worth of ordinary shares; the balance of £300,000 may be reduced if profit targets are not met.

For the Bowler Hat Hotel, it is paying £1.4m cash with the £500,000 balance settled by a share issue to the vendor, Gillport Hotels and Catering.

For the twelve months following acquisition, Chef's Apprentice has warranted pre-tax profits of not less than £200,000.

A television series it has produced on the history of cooking is currently being screened, and the aim is to develop the Chef's Apprentice concept through retail outlets and the media.

The Bowler Hat, a 29-room country house hotel, has warranted operating profits of not less than £220,000 for the year to end-September.

In AT's results for the year under review, the property division made profits of £843,000 (£103,000). Lawrence & Wightman, the Birmingham commercial agents, surveyors and auctioneers bought in 1988, moved into the London area.

Engineering, which changed premises during the period, made £25,000 (£68,000). Financial services, comprising property-related funding, insurance and leasing, made £479,000 (£88,000).

Turnover was £12.49m (£5.88m). Earnings per share came out at 7.02p (0.96p). There is no dividend payment.

At Splash, Mr Paphitis said most of the rationalisation measures and cost controls thought necessary had now been implemented.

Cerex Jewels, which Splash acquired last year, had been unaffected by the difficult trading conditions in other parts of the retail sector.

North Sea & General in £10m bid

By Clare Pearson

NORTH SEA & General, the USM-quoted natural resources company, is making a recommended offer, worth about £10m, for Anglo European Minerals, the UK industrial minerals concern in which it already has a 32.8 per cent stake.

North Sea also proposes, in the light of the 1987 sale of its North Sea oil assets and purchase of Australian gold interests, to change its name to Anglo Pacific Resources. Anglovaal, the South African mining group, owns 29.9 per cent of its shares.

Irrevocable undertakings to accept have been received in respect of 90.3 per cent of shares in AEM. Full acceptance would involve the payment of £3.15m cash and the issue of £6.83m nominal of 10 per cent convertible unsecured loan stock.

As a result, North Sea, which paid its first ever dividend in 1988, does not expect to be able to repeat the exercise at the interim stage, and is unlikely to do so for the year.

North Sea said the immediate priority was to bring into production the projects of Scottish-based AEM, all of which are beyond the green field prospecting stage and, with one exception, have defined mineral reserves.

These projects include silica sands for use in the glass industry, talc for filler applications, perlite for light-weight aggregates insulation, and marble for use in the paper industry.

In the year to end-November 1988, AEM made a loss of £21,000 (£47,000 profit) on turnover of £135,000 (£100,000). The loss mainly arose from a deterioration in the results of the silica sand project. North Sea said that the historical results were not representative of the future profit potential of AEM.

Sumit Equity Ventures pays £15.5m for Majestic

By Ray Bashford

Majestic, an operator of wine warehouses, has been acquired for £15.5m cash by a smaller competitor in the business.

Wharfside, which trades through six outlets and is effectively controlled by Sumit Equity Ventures, has offered 309.25p per share after receiving acceptances from shareholders with 57.3 per cent of the capital.

Two Sumit subsidiaries already control 23.9 per cent of Majestic's capital which was purchased during the final stage of negotiations with two other companies on the terms of an agreed offer.

The subsidiaries have agreed to sell this holding to Wharfside at the original purchase price of 265p per share when the offer become unconditional.

Majestic operates 31 outlets, selling relatively large varieties of wine in minimum quantities of 12 bottles and there are plans to increase the number of outlets to 70 by 1993.

The combined group will have an annual turnover of £25m which management expects to grow rapidly as the company moves towards the creation of a national chain.

Takare £30m homes project

Takare, a specialist in the provision of long term care for elderly and continuing care patients, is to build and manage two nursing homes for the exclusive use of the East Suffolk Health Authority in a project worth at least £30m.

The two homes, in Stowmarket and Ipswich, will be built on land leased from the Health Authority. Takare will provide all the capital investment for the project and will operate and manage the homes which will provide a total of 240 beds.

The Health Authority has taken an exclusive long term 10 year rolling contract on the complete accommodation.

Midland takes charges over Alphameric assets

By Clay Harris

MIDLAND BANK has taken fixed and floating charges over the assets of Alphameric as a condition for increasing borrowing facilities for the information systems and keyboards manufacturer. The move was disclosed as a post-balance sheet event in the group's 1988-89 report and accounts.

Mr Roger Hatfield, Alphameric's finance director, yesterday described the bank's action on May 16 as "fairly normal for a company which is borrowed materially and which is not particularly profitable."

In the year to March 31, Alphameric reported a pre-tax loss of £1.29m (profit £4.64m).

Despite the fall into loss and the reduction in total dividends from 3.5p to 2p, Alphameric's directors received big salary rises in 1988-89 as a result of bonuses relating to the previous year.

There was a 65 per cent increase to £91,000 (£55,000) for Mr Douglas Craig-Wood, chairman, and a 57 per cent advance to £96,000 (£61,000) for Mr Ian Craig-Wood, deputy chairman. Mr Hatfield said directors' salaries would fall in the current year.

Industrial dispute restricts Mersey Docks to £2.13m

By Ian Hamilton Fazey, Northern Correspondent

MERSEY DOCKS and Harbour Company lost £1.9m of revenue in the first half of 1989 as shippers switched cargoes to other ports during the run-np to the national dock strike.

The strike, which continued into August in Liverpool, hit profits by £1m, and will also affect the second half outcome.

This was revealed in yesterday's interim results, which nevertheless ehowed a pre-tax profit of £2.13m (£2.58m) on sales of £27.92m (£26.76m).

The profit would have been nearly £3.2m had the strike not occurred.

Earnings per share fell from 4.3p to 3.55p.

In spite of these setbacks the company has been able to declare its first dividend – 1.33p – since the Government rescue of the Mersey Docks and Harbour Board, its predecessor, in 1970.

The payment follows the financial reconstruction, announced in May, in which the Government wrote off £110m of repayable grants and allowed loan stock to be capitalised.

The company was previously prevented from paying dividends until its debts were cleared.

Mr Bill Slater, chairman, said that the half-year had been "most significant" for the company, partly because of the capital reorganisation but also because the abolition of the Nstional Dock Labour Scheme was announced.

The abolition caused the strike, but the scheme was a large constraint on the company since it restricted deployment of the workforce and made it very costly to reduced the number of dockers, who were guaranteed jobs under the scheme for as long as they wanted them.

Mr Slater now expects Mersey Docks to use both of its new freedoms to advantage. He also reported thet about 1,000 small shareholders had used special arrangements to sell their shares free of dealing costs during the capital reorganisation.

The company will also be pursuing its property interests, which involve the redevelopment of much of its redundant dockland.

The sale of one site will add £500,000 to the second half results.

Caird Group

Caird Group has acquired a major landfill site situated 1 mile from the M1 near Rotherham for £4.5m cash.

SHARE STAKES

Changes in share stakes recently announced include:

Anglo-Eastern Plantations: Jardine Fleming Investment Management has acquired 200,000 shares following rights issue. Holding now 1.2m (5.46 per cent).

BHH: Douglas Trustees purchased 250,000 ordinary bringing total to 3.39m (9.29 per cent).

Casket: M Moryoussef sold 1m ordinary shares and holds 1.42m (3.77 per cent).

Colonnade Development: South Yorkshire Pensions Anthority sold 100,000 ordinary, rednicing holding to 370,000 (7.3 per cent).

Five Oaks: Govett Strategic Investment Trust interested in 10.11m shares (21.45 percent).

Ford Sellar Morris: IG Sellar, director, acquired 350,000 shares for aggregate 175p each. Now beneficially interested in 9.77m (22.65 per cent), has voting rights over further 2.02m (4.68 per cent), and option over 7.6m (17.62 per cent).

Group Development: CS Investments increased interest to 4.27m (18 per cent).

Hartons: Suter has increased interest to 5.15m shares (7.06 per cent).

Lawtex: United Overseas Group bought 100,000 shares increasing holding to 545,000 (13.63 per cent).

Learmonth Burchett: RA Learmonth, director, sold 300,000 shares at 140p each and holding now 3.6m (29.64 per cent).

Leveraged Opportunity Trust: Drayton Consolidated has acquired 375,000 shares (5 per cent).

London International Group: Govett Strategic Investment Trust interested in 10.6m ordinary (8.01 per cent).

London Securities: Smith New Conrt Corporate Finance acquired 41,662 6¼ per cent cumulative preference (non-voting rights) shares (58.3 per cent).

Manganese Bronze: CH Industrials acquired interest in a further 35,000 ordinary shares and now has stake in 3.64m (22.1 per cent).

MMT Compnting: NM Life Group increased holding by 100,000 to 738,130 shares (7.25 per cent).

Moss Trust: AR Thirkill, chief executive, has bought 18,500 ordinary at 40¾p. His holding is now 726,477 (6.67 per cent).

Oceonics: Robert Aird, director, sold 300,000 ordinary reducing holding to 6.1m (5.58 per cent).

RKF: Govett Strategic Investment Trust holds 4.55m ordinary (9.16p).

SelecTV: Peter Laister increased holding of ordinary shares to 154,802 by acquisition of 90,000 at 17p.

Smith (WH): Prudential Corporation has sold 145,000 B ordinary and reduced holding to 8.24m (5.91 per cent).

Tay Homes: Willesley Clay Company purchased 195,000 ordinary shares and hoids 1.19m (5.6 per cent).

Textured Jersey: Pathclnb bought 10,000 ordinary at 165p, increasing stake to 90,000 (2.34 per cent).

UK Land: G Barclay, director, bought 25,000 ordinary at £6 each, hringing holding to 830,628 (19.94 per cent).

Wardell Roberts: AK Kinsella, a director, sold 125,000 ordinary at 120p, reducing stake to 146,100 (0.9 per cent).

Whitegate Leisure: JN Oppenheim, chairman, bought 150,000 shares at 41p and 600,000 at 42p to increase holding to 10m.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100): engineering orders (£ billion); retail sales volume (1985=100);retail sales value (1985=100);registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unem-ployed	Vacs.
1988							
1st qtr.	107.8	110.8	31.4	117.0	116.7	2,488	249.9
2nd qtr	109.3	112.4	32.1	118.8	122.7	2,384	255.2
3rd qtr.	110.5	115.8	32.7	120.2	128.9	2,228	244.3
4th qtr.	110.4	117.0	32.7	120.9	155.4	2,101	244.9
September	110.9	116.3	32.8	119.5	124.9	2,182	240.3
October	110.3	116.5	32.3	121.0	132.5	2,158	251.2
November	110.8	117.1	32.7	120.7	148.2	2,105	245.2
December	110.1	117.6	32.7	121.1	181.0	2,037	238.3
1989							
1st qtr.	109.2	118.2	35.9	121.4	125.4	1,952	226.7
2nd qtr.	108.4	118.3		122.3	132.7	1,834	222.2
January	109.5	118.8	34.6	119.5	124.3	1,988	228.2
February	108.0	118.0	34.9	122.1	123.8	1,949	228.1
March	109.2	117.9	35.9	122.6	127.4	1,917	222.9
April	109.2	117.3	37.0	120.9	131.0	1,858	223.1
May	107.9	119.2	36.8	124.3	133.4	1,835	218.3
June	108.0	118.4		121.6	133.0	1,810	226.4
July				120.9		1,789	219.5

OUTPUT- By market sector: consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1988							
1st qtr.	109.5	106.3	107.7	107.5	117.8	103.7	19.6
2nd qtr	111.0	108.9	108.5	110.1	120.3	100.8	22.3
3rd qtr	113.6	113.9	106.8	114.0	122.7	102.1	20.4
4th qtr	113.6	118.8	106.8	116.6	124.3	101.6	18.4
Sept.	114.2	116.3	106.0	116.0	136.0	101.0	20.1
October	112.8	116.6	107.0	117.0	128.0	101.6	19.6
November	114.3	117.2	107.2	117.0	120.6	102.0	21.4
December	113.8	110.5	109.1	116.0	125.0	103.8	14.2
1989							
1st qtr.	114.1	118.4	104.0	117.8	130.3	99.5	17.5
2nd qtr.	114.8	118.4	102.2	117.8	126.1	98.3	15.3
January	113.7	118.6	104.2	119.8	136.0	99.0	18.5
February	110.5	117.0	104.8	117.0	129.0	100.0	19.4
March	114.9	117.7	102.8	117.0	125.0	99.8	15.0
April	114.7	115.0	104.8	116.0	131.8	99.0	18.3
May	115.1	110.0	100.9	119.0	124.0	99.0	13.7
June	114.6	121.1	100.7	119.0	121.0	67.0	17.0

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance, current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn
1988							
1st qtr.	109.2	110.8	-4,020	-3,001	+730	97.0	44.64
2nd qtr	114.9	128.2	-4,530	-2,782	+865	97.1	43.52
3rd qtr	112.8	134.8	-6,724	-3,418	+627	97.3	50.43
4th qtr.	107.8	134.7	-6,465	-5,354	+389	96.7	51.69
September	114.1	131.0	-1,673	-720	+184	95.1	50.43
October	103.7	139.5	-2,656	-2,382	+87	97.8	50.05
November	103.3	131.3	-1,950	-1,593	+150	96.3	51.04
December	109.8	123.2	-1,815	-1,448	+152	97.6	51.69
1989							
1st qtr.	112.8	140.5	-5,980	-4,841	+241	96.3	50.46
2nd qtr.	115.1	140.2	-5,832	-4,632	+333	97.6	43.67
January	117.1	145.1	-2,047	-1,687	+115	96.9	51.71
February	105.4	138.0	-2,215	-1,838	0	93.6	51.63
March	115.8	138.2	-1,718	-1,338	+126	98.7	50.46
April	111.5	140.0	-2,175	-1,755	+134	98.9	47.26
May	116.2	138.4	-1,740	-1,340	+43	98.9	46.09
June	118.7	142.1	-1,917	-1,517	+156	98.9	43.67
July	117.1	148.2	-2,482	-2,062	+84	99.1	43.63

FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	Cnsmer. credit £m	Base rate %
1988							
2nd qtr	8.6	18.6	20.4	+15,343	4,173	+1,105	9.50
3rd qtr.	7.7	17.3	22.7	+15,740	3,162	+1,092	11.50
4th qtr.	7.7	14.3	20.5	+13,379	3,168	+873	12.70
August	7.0	15.8	20.8	+3,372	1,179	+471	12.00
September	8.5	17.3	22.7	+5,869	621	+276	12.00
October	7.7	13.7	19.8	+4,241	1,583	+186	12.00
November	7.7	11.7	20.8	+3,767	768	+392	13.00
December	7.7	14.3	20.5	+6,192	819	+295	13.00
1989							
1st qtr.	6.7	13.8	21.3	+14,058	2,661	+810	13.00
2nd qtr.	5.9	13.7	22.1	+12,785	1,735	+1,000	14.00
January	7.3	11.5	21.3	+6,625	754	+228	13.00
February	6.6	13.8	22.2	+2,268	1,064	+251	13.00
March	6.2	13.9	21.3	+6,146	813	+330	13.00
April	5.7	10.1	20.7	+4,578	1,175	+313	13.00
May	6.2	10.9	21.6	+3,947	713	+505	14.00
June	5.9	13.7	22.1	+4,260	-159	+152	14.00
July					848		14.00

INFLATION-Indices of earnings (1985=100); basic materials and fuels; wholesale prices of manufactured products (1985=100);retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931 =100); trade weighted value of sterling (1975=100)

	Earn-ings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods	Reuters* cmdty.	Sterling
1988							
1st qtr.	122.6	96.9	111.0	103.7	103.5	1,747	75.3
2nd qtr	124.6	97.8	112.6	106.2	104.6	1,817	77.6
3rd qtr.	127.0	96.6	113.9	108.6	104.7	1,902	75.9
4th qtr.	131.5	100.1	115.2	109.9	106.7	1,887	77.0
September	127.5	98.2	114.3	108.4	104.8	1,873	75.5
October	129.5	98.0	114.9	109.5	104.9	1,874	76.3
November	130.7	98.8	115.2	110.0	105.7	1,866	77.1
December	134.3	102.8	116.4	110.3	106.5	1,921	79.0
1989							
1st qtr.	134.0	102.8	116.8	111.7	107.8	1,974	97.1
2nd qtr.	136.2	104.4	118.2	114.9	110.2	2,018	93.6
January	133.3	104.0	116.4	111.0	107.4	1,969	97.8
February	133.8	101.9	118.8	111.8	107.7	1,954	97.4
March	134.9	102.4	117.2	112.3	108.3	1,998	95.9
April	135.7	103.9	117.8	114.9	109.6	2,018	95.5
May	136.1	104.7	118.3	115.0	110.3	2,078	94.3
June	138.7	104.8	118.6	115.4	110.7	2,027	91.1
July		103.3	119.0	115.6	110.1	1,940	92.2

*Not seasonally adjusted

†Net changes in amounts outstanding, excluding bank loans.

Exceptional gains lift Weir to £11.42m

By John Ridding

EXCEPTIONAL gains on the disposal of investments lifted pre-tax profits at Weir Group, the Glasgow-based engineering company, from £7.85m to £11.42m for the six months to June 30.

Excluding exceptionals, which largely represented profits on the sale of its stake in Howden, the engineering group, the pre-tax figure was £9.42m, an increase of 20 per cent. On the same basis, earnings per share rose from 10.2p to 15.1p.

Mr Ron Garrick, managing director, said he was particularly encouraged by the level of order intake during the period. New contracts totalled £117m, a 23 per cent increase, including a £5.5m contract to supply a South Korean nuclear power station.

He said that profit growth during the period came from across the group's various divisions. Only one company, involved in mouldings for the car industry, failed to do better than in the comparable period and this was ascribed to contract timing.

At the end of June, the company acquired the valve-making business of Hopkinsons, the engineering group. Lord Weir, chairman, said that "although much remains to be done to rebuild the business we now seem to have overcome the difficult industrial relations problems from which Hopkinsons suffered badly in the past."

Following the acquisition there have been about 90 redundancies. A strike by draughtsmen has been resolved and a number of prominent unionists have left.

Mr Garrick said Weir had cash holdings of about £4m. He said that the group was considering further acquisitions but that "we will take our time."

Turnover increased from £87.26m to £105.66m, and there is an interim dividend of 2.5p (2.25p).

● COMMENT

Weir's shares slipped 6p to 308p on the results, but this only reflected the fact that exceptional gains were lower than expected because of a loss on the sale of a stake in Hopkinsons. Since the holding provided valuable leverage in negotiations for the purchase of the valve business, the financial cost is of secondary importance. For the group as a whole prospects remain good. Orders are set to exceed last year's strong performance of £210m and are widely spread. With 20 per cent of sales coming from the water industry and a similar proportion from power generation the group has a presence in markets on the verge of significant investment. More generally, because industrial cleaning generally involves pumping of some form, Weir is building an image as a green stock. The full benefits of the bristling order book will emerge with a lag, but for the current year pre-tax profits should still reach £22m, excluding exceptionals. The prospective multiple of 10.6 is high for the sector but deserved.

BICC expands technologies division

By Clare Pearson

BICC is adding to its technologies division with the purchase of Syntex, a systems and software house, for a consideration of between £2.24m and £4.22m depending on the company's profits over the next three years.

Technology is the smallest division of BICC and contributed £4.8m to its interim pre-tax profits of £93m.

The initial payment for Syntex Holdings and its subsidiary Syntex is £1.19m, to be met by a cash payment of £91,000 with the balance in BICC ordinary shares. The company will add to BICC's existing interests in data communications, turnkey networking applications and industrial monitoring and control systems.

BICC substantially added to its technologies interests last month with the purchase of Andover Controls, a US manufacturer of automated building service products.

Victaulic ahead 17% to £4.3m

By John Ridding

VICTAULIC, the manufacturer of plastic pipes and pipe fittings, yesterday announced pre-tax profits of £4.28m for the six months to June 30, an increase of 17 per cent on the £3.66m achieved in the comparable period.

The figures were the first to include a contribution from Helden, the Dutch couplings manufacturer acquired in December. Mr David Stewart, Victaulic managing director, said that it had "performed well up to expectations and added about £250,000 to profits".

Mr Stewart said demand from the water and gas industries for the group's pipeline products had remained at a high level in the half. Stewart & Lloyds Plastics, one of the two largest subsidiaries, raised by 19 per cent the tonnage of polyethylene pipe produced.

Capacity constraints were encountered and the bulk of the £3.5m capital expenditure was used to expand production. On completion of the programme, capacity will rise from 15,000 to 25,000 tonnes.

Viking Johnson, the other large business, saw strong demand for mechanical pipe joinings.

Mr Stewart said the group stood to benefit from the increased investment by the water authorities following privatisation. He said that about 30 per cent of the planned expenditure of about £18bn over a 10-year period would go into water supply areas in which the group operated.

Victaulic Industrial Polymers experienced difficult trading conditions in its gasket and seal business and saw profits for the half-year slip below last year's figure.

Also, Britpipe, which manufactures reinforced plastic pipes, made losses. The company said it felt the application of its products would take too long to develop and that the business had been closed.

Earnings per share increased from 12.1p to 13.8p, the slower rate of increase reflecting the increased number of shares in issue during the period. Turnover increased from £31.42m to £39.09m and there is an interim dividend of 3.25p (3p).

● COMMENT

Plastic pipes and couplings have become much more glamorous since the rise of green considerations and the prospect of an investment bonanza in the privatised water industry. Victaulic should benefit directly from the spending increase, although it is mainly involved in water supply, whereas the real money is likely to be spent on treatment. Until this boost comes through, results will be solid but unexciting. Without Helden, yesterday's numbers showed only a 10 per cent profits increase and a decline in trading margins from 12.7 to 11.8 per cent. This is still a healthy level but may herald a trend as the lower margin water pipes increase their share of group profits. Full-year profits should reach £8.8m which, after this year's surge, leaves shares on fairly valued prospective multiple of 13.

Sunleigh over £1.4m midway after 35% rise

Reflecting further substantial progress, pre-tax profits of Sunleigh rose from £1.04m to £1.41m in the six months ended July 1 1989.

This 35 per cent growth rate was achieved on sales 27 per cent higher at £11.5m (£9.1m). The group is engaged in electrical and electronics manufacture, and is USM-quoted.

Mr Tony Merryweather, chairman, said the advanced products division produced an excellent result despite a downward trend in orders in the spring. In leisure products, penetration of overseas markets continued and the first shipments by Powa Kaddy have been made to Japan.

In electrical developments, strong export and home sales of the HED connector range and much improved results from PJO helped mitigate a disappointing performance from the electronics activities moved from Romford.

Earnings came to 4.58p (3.53p) and the interim dividend is raised to 0.75p (0.55p).

Gould says Hoylake bid should be referred

By John Mason

THE HOYLAKE takeover bid for BAT Industries should be referred to the Monopolies and Mergers Commission, Mr Bryan Gould, Labour's Trade and Industry spokesman, said yesterday.

He urged Mr Nicholas Ridley, the new trade secretary, to use the opportunity to clarify the Government's competition policy, particularly towards highly leveraged bids.

Mr Gould warned that allowing the Hoylake bid to proceed could lead to a "tidal wave" of similar bids.

He said there was conclusive evidence that takeovers and mergers did not on balance benefit either party. A high rate of takeovers was strong evidence of a badly functioning economy where companies found it more attractive to increase market share through acquisition and elimination of rivals than investing in new capacity and increasing competitiveness.

"The most malign effect of excessive takeover activity is the emphasis it encourages on the short-termism which is the bane of British industry," Mr Gould said.

"If the Hoylake bid proceeds, no company in Britain will feel safe. There will not be a boardroom in the country which does not feel compelled to look over their shoulders to see whether a predator is looming and which is not encouraged as a consequence to concentrate on short-term performance to the detriment of long-term investment," he said.

Mr Gould said that in the UK, unlike in other European countries, Government policy meant the only obstacle faced by predators was the criterion of competition. However, there had been cases where other factors, including the highly leveraged nature of the bid, had clearly been taken into account.

BAT Industries' defence against the Hoylake bid is taking to the streets and to the football pitches, writes Clay Harris. Mr Michael Butt (above), chairman of Eagle Star, BAT's UK-based insurance subsidiary, did his bit yesterday, but credit for the idea to link the bid to the summer's hottest film goes to his company's corporate communications manager, Mr Paul Swinburn, who responded to a head office plea for merchandising suggestions.

Mr Swinburn was suitably modest, noting: "The link between Batman and the Joker was just too good to miss." The design was developed by BAT's advertising agency, Ogilvy & Mather. An initial run of 1,000 black-and-yellow shirts was snapped up by BAT employees, although Mr Swinburn observed: "I have to confess I don't know whether it's because they like the design or because they're free."

The T-shirt initiative coincides with BAT's wider media blitz. It has bought the entire 2½-minute break in News at Ten for four nights ending tonight. Previously broadcast commercials for Eagle Star, Argos, Wiggins Teape and Allied Dunbar are linked by the statement "Another Success for BAT."

The advert appears only in three ITV regions – Thames, TVS and Scottish. "It is purposely tilted towards financial institutions," Mr Swinburn said, although those three regions also claim more individual BAT shareholders than any others. The commercials are also being broadcast on Channel Four's lunchtime Business Programme and Evening News.

Leaving no medium untured, BAT subsidiaries have also booked 1,000 48-sheet poster sites until the end of September. The cost of the poster campaign, like the TV adverts, will be borne by the subsidiaries, rather than the parent, and is therefore unlikely to show up BAT's published defence costs.

Unlike the TV adverts, the posters and Mr Swinburn's T-shirts did not have to be vetted by the Takeover Panel. But it is not clear, in any case, whether the message is getting across. One Eagle Star employee reported that he and three colleagues wore the T-shirts in a football match earlier this week and were asked only: "Have you seen the film?"

Associated British Ports buys 1.07% holding in Red Funnel

By Andrew Hill

ASSOCIATED BRITISH Ports Holdings (ABP) has bought a 1.07 per cent stake in Red Funnel Group, the Isle of Wight ferry company fighting a hostile bid from Sally UK Holdings.

ABP would not say whether it intended to increase its holding, or mount a counter-bid. The group owns 21 UK ports including Southampton harbour where Red Funnel has its mainland ferry terminal.

"We view Red Funnel as an important part of the port of Southampton, so we have an interest in its future," said ABP yesterday.

Mr Michael Wilkinson, chairman of the Southampton ferry group, said: "I read it as a vote of confidence in Red Funnel, but there has been no hint of a 'white knight' bid."

Red Funnel, the trading name for Southampton Isle of Wight and South of England Royal Mail Steam Packet, leases part of the town's disused Royal Pier from ABP as a marshalling area for cars and lorries waiting to board its vessels, and is negotiating with ABP over possible redevelopment of its Southampton ferry terminal.

ABP bought 108,500 shares at 240p on Tuesday, just after Sally, a Scandinavian-owned ferry operator, had announced an increased bid of 286p per share, valuing Red Funnel at about £24m.

Last month Mr Michael Kingshott, Sally's managing director, criticised ABP in a local newspaper report, suggesting the group's Southampton subsidiary favoured property development above shipping.

Sally said yesterday it thought it was strange that ABP had taken a stake at this stage of the bid, which closes on September 9, and urged the ports group to clarify its intentions. Red Funnel shares closed unchanged at 243p.

In its increased offer document issued yesterday Sally forecast an increase in pre-tax profits of at least 77 per cent to £2.8m in 1989. Last year Sally made £1.59m, the first time it had moved into the black since its Ramsgate-Dunkirk ferry service was set up in 1981.

"The vital question . . . is whether, in the light of impending threats to the company and its earnings, Red Funnel's shares will, without Sally's bid, ever be worth more than the increased offer price," said the company.

IN BRIEF

AMERICAN BUSINESS Systems is acquiring Capital Systems of Nashville, Tennessee, for $100,000 (£63,000) on completion and a performance-related bonus of up to $1.3m payable in one year. Capital supplies and services photocopier and facsimile equipment and its restated profits should contribute about $600,000 in a full year on turnover of $9m. It is the ninth acquisition for ABS in 16 months.

EMAP, the newspaper, magazine and exhibitions group, announced its acquisition of Bucks & Herts Newspapers had been completed. Bucks & Herts publishes paid-for and free newspapers in Hemel Hempstead, Berkhamsted, Aylesbury, Buckingham, Bicester and Thame. DTI consent was obtained on July 25. Following payment of an interim £3m dividend, approved by Bucks & Herts directors, the final purchase price has been agreed at £14.5m. Consideration will be satisfied by issue of 792,101 new EMAP ordinary shares, plus £12.43m in cash and loan notes.

FITCH-RS has sold two freehold properties for £5.1m cash at Hanway Place and Hanway Street, London W1. It will continue to occupy existing premises until the development of the new building is completed early in 1990. The gain on disposal will be rolled over against costs of the new headquarters and the proceeds will be used to finance the new development.

CORRECTION
Rentokil

The results from Rentokil's property care division were incorrectly reported in yesterday's edition. Its profits for the six months to June 30 were £4.02m (£3.05m) on turnover of £29.16m (£23.16m).

Lilley and Tilbury hurl brickbats back and forth

By Philip Coggan

LILLEY AND Tilbury, the two construction companies locked in a bid battle, heaved a few bricks at each other's arguments yesterday.

Lilley, which is bidding £124m for Tilbury, has taken the unusual step of attacking the profit forecast of its rival before it has been made. It referred to brokers forecasts' of £21m to £22m for the current year and said such a forecast would be "hard to believe".

Tilbury, in its response, said that "rather than trying to talk the share price down, Lilley should wait for Tilbury's profit forecast".

Lilley also attacked Tilbury's bonus scheme, saying that it paid huge bonuses for average performance. Tilbury responded by saying that the scheme was based on three year's performance and since its inception, the company had multiplied its earnings per share 3.6 times and return on capital had more than doubled.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Barr & Arnold ......int	5	Oct 30	3.5	-	15
Dewsongroup ......int	1.6	Nov 10	-	-	-
Havelock Europa ......fin	1	Oct 6	.6	3.6†	8.5
Heath (Samuel) ......fin	3.3	-	3.3	4.3	4.3
Mersey Docks ......int	1.33	Nov 3	-	-	-
More O'Ferrall ......int	3.2	Oct 12	2.4	-	10
Norbain Elec § ......fin	0.7	-	0.7	0.7	0.7
North Midland ......int	2	-	1	-	3
Sunleigh § ......int	0.75†	Dec 29	0.55	-	1.65
Victaulic ......int	3.25	Oct 9	3	-	8.5
Weir Group ......int	2.5☆	Nov 15	2.25	-	7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. #Third market. ☆Carries scrip alternative.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- ASB Kent, BPP, Bridon, Britannia Arrow, Business Tech, CSC Inv Trust, Cattle's, Gold & Base Metal Mines, Grafton, Wates City of London Properties.

Finals- Brierley Invs, Newmark (Louis), News Intl, Robertson, Scottish English & European Textiles.

FUTURE DATES

Interims-	
ASD	Sep. 12
Abbott Mead Vickers	Sep. 13
Acorn Computer	Sep. 15
Benrose	Sep. 19
Black (A&C)	Aug. 31
Braise Brothers	Sep. 14
British Vita	Sep. 11
Bunzl	Sep. 5
Butler Cox	Aug. 31
CI	Sep. 12
Croda International	Sep. 6
Dawson Tyson	Sep. 11
Ipeco	Sep. 12
Olives	Sep. 5
Parambe	Aug. 31
Peak	Sep. 5
Severfield-Reeve	Sep. 6
Spring Ram	Sep. 20
Templeton Galbraith	Aug. 29
Trinity International	Sep. 19
Wyevale Garden Centres	Sep. 5
Finals-	
HTV	Oct. 3
Johannesburg Cons Inv	Sep. 4
Magnetic Materials	Sep. 8
Minerals Oils & Reserves	Sep. 7

UK COMPANY NEWS

More O'Ferrall up 24% to £4.3m

By Clay Harris

A STEADY advance in operating margins and addition of higher value sites enabled More O'Ferrall, the outdoor advertising contractor, to increase pre-tax profits by 24 per cent to £4.29m in the six months to June 30.

In the UK, the group benefited from the conversion of more of its Adshel bus shelter sites to illuminated Superlite panels, which carry a 100 per cent rate premium. By the end of the year, it expected to have nearly 20,000 Superlite panels — more than 60 per cent of Adshel's total.

A trial 150 sites in Dublin, of a total of 800 in Ireland, will be converted to Superlites later this year.

Superlites have helped to increase More O'Ferrall's share of the UK roadside poster market to close to 25 per cent, and the group reported similar improvements in France and Belgium.

Mr Russell Gore-Andrews, chairman, was similarly confident about the rest of the year. "At the moment, we are not experiencing any of the shortfalls in demand which are being hinted at in other media," he said.

The pre-tax rise from £3.45m in the 1988 half failed to match a 39 per cent improvement in operating profits because of interest payments which more than trebled to £812,000.

Russell Gore-Andrews: not experiencing any of the shortfalls in demand being hinted at in other media

However, a tax charge 5 points lower at 30 per cent nearly made up the difference in earnings per share which grew by 34 per cent to 11.8p (8.8p). The interim dividend is raised by a third to 3.2p (2.4p).

Group turnover rose by 24 per cent to £24.25m (£19.59m), with the operating margin up from 19 to 21 per cent. However, the UK and Ireland continued to outperform the continental operations with an operating margin of 25 per cent against 17.7 per cent in France and Belgium.

Start-up operations in Taiwan and California lost a total of £190,000. More O'Ferrall expected the former to move into the black in the second half, and the California street-bench business to make its first contribution in 1990.

After capital expenditure of £4.7m in the first half, the group was on target to reach £12m profit for the full year, said Mr Trevor Maund, finance director, who expected gearing of 75 per cent at the year end. More O'Ferrall shares closed 6p higher at 414p.

● COMMENT

For the first time in several years, the sky is not entirely blue above More O'Ferrall, but that has all to do with the general outlook for advertising and nothing with the company itself. Moreover, a strong case can be made that outdoor contractors — and More O'Ferrall more than others with its high-quality presence in the largest and smallest posters on offer — will benefit from softness in other media. On the other hand, a sustained downturn could be reflected in pressure on rate cards. Already in 1989 the group has abandoned last year's no-discount stance on Superlites. On balance, assuming pre-tax profits of £12.5m, at the top end of forecasts, the shares look fairly valued on a prospective p/e of 12.

Reorganisation completed as Havelock profits are wiped out

By James Buxton, Scottish Correspondent

HAVELOCK EUROPA, the shopfitting company where Mr Lewis Robertson was recently installed as chairman at the insistence of financial institutions, yesterday revealed that its pre-tax profits had been almost totally eliminated in 1989.

They fell from £4m to £52,000 in the year to April 21 1989.

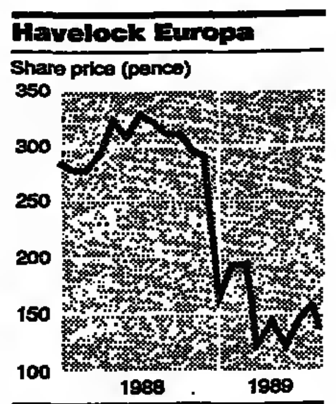
But Mr Robertson said yesterday that problems at the company, which were of a managerial rather than financial nature, had been caught before they became acute. He looked forward to 1990 with some confidence.

The group is proposing a final dividend of 1p which will make a total dividend of 3.6p compared with 8.8p in 1987-88.

While turnover advanced to £49.64m (£40.01m), Havelock made a trading profit of £368,000 (£4m) after interest charges of £613,000 (£57,000) and before exceptional items of £316,000 (nil) which related to redundancy and other reorganisation costs.

Below the line, there was also an extraordinary charge of £348,000 (£97,000), the bulk of which was due to the cost of closing operations. This produced an after-tax loss of £143,000 (profit £2.53m).

Havelock's problems emerged last December when it announced poor interim figures, shortly after a successful share placing.



Soon afterwards the finance director left, followed by the chief executive.

In May institutional shareholders, led by Scottish Amicable, forced the resignation of Mr Tom Corrigan, the then chairman, and Mr Robertson, a well-known company doctor, stepped into his shoes, initially on an executive basis.

This month Mr Hew Balfour, a former senior executive with Erskine House, the office equipment company, took over as chief executive.

Mr Robertson said that although the company faced some trading adversities in the year, especially in the second half, "a large part of the damage was self-inflicted" including "an ill-judged decision to pursue turnover regardless of margins".

The results, Mr Robertson added, in part reflected "the accustomed determination of the new management to ensure that all foreseeable difficulties have been taken into account".

He said that the company was concentrating production in three large, profitable units at Inchinnan, Renfrewshire, Dalgety Bay, Fife, and Nottingham, having closed smaller operations in four other locations.

The company was also improving its accounting systems.

Mr Balfour said that the group was moving into other sectors, such as the fitting of banks and building societies, which have the advantage of being less seasonal than stores.

The company is to close its current financial year on December 31 and move onto a calendar year reporting basis.

Truck rental problems hit Dawsongroup in first half

HIT BY difficult conditions in the short-term truck rental market, profits of Dawsongroup were halved in the six months ended June 30 1989.

At the pre-tax level they came to £1.53m, against £3m, after net interest charges of £2.71m (£1.21m). Turnover rose by 26 per cent to £24.72m.

Mr Peter Dawson, chairman and chief executive, said his cautions remarks at the annual meeting had been justified. As to the full year it was clear that profits would be substantially below the previous £6.05m.

The group came to the market last November at a placing price of 154p. Yesterday, the shares fell 18p to close at 103p.

Mr Dawson said the short-term market was extremely difficult in the opening quarter. In the ensuing three months utilisation and rates improved although these were still considerably lower than the levels of the particularly strong 1988 comparable period.

There was still significant pressure on margins, not helped by inflationary cost increases and high interest rates. Some reduction in the fleet had taken place. Turnover rose 39 per cent, bearing out the underlying strength of that sector.

Long-term contract hire traded well and lifted turnover 19 per cent. The Volvo truck distributorship performed in line with expectations with the exception of the new Watford dealerpoint.

Earnings fell to 4.1p (6.8p). The company is declaring a maiden dividend, an interim of 1.6p. Mr Dawson is waiving his right to £277,000 to demonstrate his long-term commitment and confidence and to help maintain a "sensible level of cover".

Ferrari in agreed £4m offer for troubled UCL

By Clare Pearson

FERRARI Holdings, the computer services and communications group, is making a £4m recommended offer for UCL, the troubled computer systems supplier quoted on the USM.

The deal marks a further reshuffling within the USM's computer sector. Ferrari Holdings was created when A Ferrari, a private group, reversed into USM-quoted Cifer, best known for its visual display units, in January.

Ferrari's offer is on an 11-for-2 share exchange basis valuing UCL's shares at 45.75p each. There is a cash alternative pitched at 44p.

UCL's shares plunged 16p to 44p on the news. Shares in Ferrari, which plans a £2m rights issue once the offer has become unconditional, closed ¼p higher at 8½p.

Mr Nick Drescher, chairman of UCL, together with Mr Alan Wilson, commercial director, have together with their family interests given irrevocable undertakings to accept in respect of slightly more than 70 per cent of the shares. They plan to leave the board as soon as the offer becomes unconditional.

Ferrari aims to integrate UCL's maintenance division, which had annual revenues of about £5.7m in 1988, with its own similar operations, with revenues in excess of £2.5m. It says the combined maintenance business will be the fifth largest in the UK.

UCL last month said it was cancelling its final dividend payment. Having seen profits plunge from £1.49m to just £105,000 during 1988, on sales 32 per cent ahead at £21.39m, it said there was no improvement in trading in the current year.

The company laid the blame for the downturn on the residual effects in the City of the October 1987 stock market crash, denting demand for its computer services.

Ferrari, headed by Mr Bob Woodland, has three core businesses: distribution, information management solutions, and warehousing services and logistics management.

Herrburger Brooks out of tune

HERRBURGER BROOKS, the maker of piano actions, keys and hammers, reported a sharp fall in pre-tax profits from £64,226 to £3,159 for the year ended May 31 1989, after a second-half loss of £8,570.

The company said that piano component sales were hit by the closing of a major customer in Finland and reduced sales to the US.

In China, hopes for increased business had been dampened by adverse political developments.

In July, Herrburger announced that talks with an interested party relating to a possible offer for the company had been discontinued.

Turnover for the year was marginally higher at £7.62m (£7.44m). After a tax credit of £16,927 (£14,725 charge) earnings per 25p share were 1.54p (3.79p).

There was again no dividend — the last payment was in 1984.

S Heath falls to £0.45m

SAMUEL Heath & Sons, a maker of giftware and hardware products, reported a decline in pre-tax profits from £558,000 to £447,000 in the year to March 31.

The fall came despite an increase in turnover from £6.45m to £6.8m.

The cost of sales rose by £470,000 to £3.89m leaving gross profits at £2.91m (£3.03m). Distribution costs were down at £113,000 (£154,000) while administrative costs were little changed at £2.45m (£2.35m).

Other operating income amounted to £105,000 (£25,000).

Tax took £178,000 (£207,000) leaving earnings of 9.3p (11.8p) for the dividend, which with a proposed final of 3.3p, is a maintained total of 4.3p.

Cullen's reduces loss despite write-down

Reduced losses of £4.9m, compared with £6.11m, were announced by Cullen's Holdings, the groceries, wines and spirits retailer, for the year ended February 26 1989.

Turnover fell from £21.9m to £13.57m and operating losses came through at £703,000 (£898,000). Stock holding for the group was reduced by about 70 per cent over the year, and the stock write-down produced an exceptional £3m (£2.76m) debit.

Directors said the restructuring undertaken during the past three years was largely completed during the first half of the current year and stores which had previously been closed pending disposal were being reopened. They believed the group would return to profit during the second half but was unlikely to show an overall profit for the year.

The acquisition of six freehold properties and the associated rights issue in March, which raised some £2.2m after expenses, had strengthened the financial position of the group.

Losses per share for the period amounted to 24.9p.

Profits surge at Norbain

ALTHOUGH turnover more than halved to £11.58m, against £24.64m, Norbain Electronics, the USM-quoted distributor of electronic components, achieved a significant jump, from £10,000 to £121,000, in pre-tax profits for the year ended April 30.

The chairman said that following the major reconstruction of the past year the company now stood on a firmer base and he looked forward to the future with confidence.

An unchanged single final dividend of 0.7p is being paid from earnings per 5p share of 0.9p (0.01p losses).

The pre-tax result was after lower expenses of £3.36m (£4.87m) and a drop in interest charges from £398,000 to £180,000.

The company is continuing to search for related businesses.

Barr & Wallace advances 52%

WITH THE help of a turnround in its leisure and holiday division, Barr & Wallace Arnold Trust recorded a best ever interim profit for the first half of 1989.

At £1.24m (£814,000) pre-tax it showed a 52 per cent advance. Turnover rose 26 per cent to £101m (£80.1m).

However, Mr Malcolm Barr, chairman, warned about projecting that percentage increase to forecast the full year result, although he anticipated an improvement in both the motor and holiday sides.

He explained there were known interest payments arising in the next six months from the office development at The Calls, Leeds, starting this month, and from land purchases to re-site the Nottingham dealership and to improve the Renault franchise in Leeds.

In addition, costs will be attributable because of the recent acquisition of the lease and business of the Broadway Park Hotel, Isle of Wight, before it became operational next June following extensions and refurbishment.

The motor division accounted for £945,000 (£1.05m) of the profit, but there should be an improvement in the current half. Leisure and holidays turned from a loss of £183,000 to a profit of £421,000 largely because of increased British holiday bookings and a stable market for foreign coach holidays. The buoyant trading was continuing, the chairman said.

Earnings worked through at 12.5p (8.4p). The interim dividend is raised to 5p (3.5p) to restore that payment to a higher proportion of the total.

COMPANY NEWS IN BRIEF

ANGLIA SECURE Homes has entered into an agreement for the sale and leaseback of its new office building in Colchester, Essex. The sale proceeds amount to £3.8m, and so with purchase and development costs of £3.3m, Anglia will make £500,000 on the disposal.

BEAZER: Group's US subsidiary, Beazer Materials and Services (formerly Koppers) has sold property in Florida to Silver Lakes Partnership, a private developer, for $15.7m (£10m). It retains a minority interest through a profit sharing arrangement. The sale brings gross proceeds from the Koppers divestiture to about $875m.

BEECHAM has sold its Bovril bouillon and sauce mix products business in Canada to CPC International for an undisclosed price. The business has sales of less than C$15m (£8m).

BRITISH EMPIRE Securities and General Trust: Kuwait Investment Office has sold its entire holding of 13.3m shares.

BUSINESS MORTGAGES Trust (to be renamed Business Mortgages Bank): Nykredit now owns 13.89m BMT ordinary (92.6 per cent) and will compulsorily purchase the remainder.

CITYVISION, the video film hire group, has acquired Vocalrealm, trading as Movie World in Swansea, for £621,000 initially to be met by £200,000 cash and £421,000 in shares.

EGERTON TRUST: Recent rights issue of 12.07m ordinary at 145p each was taken up in respect of 10.47m shares (86.7 per cent).

LONDON FINANCIAL and Investment: for half year to June 30 profit before tax was £708,900 (£287,300) pushed up by high level of surpluses on investment disposals. Not expected to be as great in second half but partially compensated by lower interest payments. Net assets 86.56p per share (80.27p).

NO PROBES: the following mergers are not being referred to the Monopolies Commission: acquisition by Avenir Publicite of the media division of MAI; purchase of Blacks Leisure Group of A Goldberg.

NORTH MIDLAND Construction reported pre-tax profits more than doubled from £201,000 to £446,000 for 6 months to June 30 on turnover of £10.63m (£6.36m). Interim dividend doubled to 2p from earnings of 11.6p (5.2p) per share.

WH SMITH: offer for Waterstone has been declared unconditional.

WB INDUSTRIES has received valid acceptances for its open offer of 3.67m new ordinary in respect of 1.08m (29.4 per cent of offer). The balance has been placed with institutional and other investors.

YEARLING BONDS: The interest rate for this week's issue of local authority bonds is 13⅝ per cent, showing no change from last week. There is no comparative figure from last year. The bonds are issued at par and are redeemable on August 29 1990.

Bonds totalling £1.5m, have been issued by the following local authorities: Central Scotland Water Development Board £1m, and Derwentside District Council £0.5m.

COMMODITIES AND AGRICULTURE

Malaysia alarmed as fall in rubber price continues

By Lim Siong Hoon in Kuala Lumpur

RUBBER PRICES have slid to a new two-year low and may require intervention from the International Natural Rubber Organisation for the first time in the eight-month life of the second International Natural Rubber Agreement (Inra II).

Inro's five-day moving average price, the average of three international grades quoted in Kuala Lumpur, Singapore, London, and New York, has drifted steadily down to 186 Malaysian/Singapore cents a kilogram, 1 cent above the lower intervention, or "may buy," level. In the Kuala Lumpur market, meanwhile, the RSS No 1 hedging grade, one of the grades used by Inro to set its benchmark price, has fallen from 245 Malaysian cents a kilogram two weeks ago to 238 cents currently.

The falling prices have alarmed Malaysia, which fears that a large surplus stock is accumulating in spite of its own production levels being below last year's.

Malaysia says Thailand and Indonesia – the two largest producers after Malaysia – have stepped up production and contributed to the surplus.

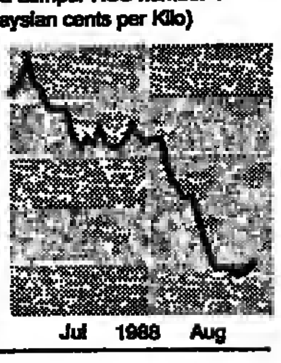
Mr Lim Keng Yaik, the Malaysian Primary Industries Minister, has asked the two countries to exercise production restraint as well as to monitor the market closely. Malaysia, he said, did not want the rubber market to go the way cocoa has gone, with a huge surplus stockpile and ineffective buffer stock management.

"On our part," said Mr Lim, "rubber production has stabilised since 1976. We will not be the cause of the over-supply."

Malaysian rubber output last year reached a record high of 1.66m tonnes, compared with the previous peak of 1.61m tonnes in 1976. This year's January-to-June production is reported to be 876,000 tonnes, 11 per cent lower than the year-earlier period, but domestic stocks have built up, reaching 234,000 tonnes at the end of June, 45 per cent higher than a year earlier.

Rubber

Kuala Lumpur RSS number 1 (Malaysian cents per Kilo)



Cocoa pact invitation rebuffed

By Lim Siong Hoon

MALAYSIAN OFFICIALS have reacted angrily to what they see as undue pressure from the Ivory Coast, in collusion with Philipp Brothers, the big US trade house, for it to join the International Cocoa Council Organisation (ICCO).

Malaysia has again refused to join the body, which is due to meet next month to decide the fate of its price stabilisation pact, the International Cocoa Agreement (ICCA), maintaining its insistence that pact members must "get their house in order" before it would consider joining.

The reaction followed a representation by an independent consultant for Philipp Brothers who had urged for Malaysian participation at the Cocoa Producers Alliance (CPA) meetings due next week.

Mr Christopher Ariel, the consultant, met last week with Malaysian government officials and growers, and called for Malaysian participation to avert the risk of the ICCA collapsing by December.

If the ICCO ceased policing the market, Mr Ariel said, Malaysia would have more to lose than the Ivory Coast because the latter had sold 500,000 tonnes of its new crop already. He warned that the resulting price fall, exacerbated by the liquidation of the pact's 250,000-tonne buffer stock, could cost Malaysia US$40m a year until 1993.

Malaysia, the fourth biggest cocoa producer, accounting for about 10 per cent of world output, sees this as blackmail. A senior government official said some people were attempting to push the country into a corner, "just because one fellow has bought 500,000 tonnes" – a reference to this month's Ivorian cocoa sale to Phibro and Sucres et Denrées of Paris.

"With 500,000 tonnes in his hands, Philipp Brothers does not want prices to come down. Let him sweat it out first," he said. "This chap," he added without naming who, "is trying to pass the blame on Malaysia and pressuring us to join the ICCO . . . Why should Malaysia answer to a trading company?"

In his first public statement since Mr Ariel came and left, Mr Lim Keng Yaik, the Malaysian primary industries minister, took exception to Ivory Coast's method of trying to recruit Malaysia into the Cocoa Producers' Alliance.

"The Ivory Coast did not present any proposal to Malaysia; Philipp Brothers did not meet me," he complained. If the Ivory Coast, or the CPA, wanted Malaysian participation, he said, it should send an official invitation.

● Philipp Brothers said earlier this week that most of the Ivorian cocoa it had bought was already committed in the market and had been secured on a differential (rather than fixed) price basis.

This meant, the company claimed, that it did not stand to benefit from any subsequent rise in the world cocoa market price.

Indian order fails to excite sugar trade

By Richard Mooney

NEWS THAT India was seeking offers for a large purchase of white sugar produced a fairly muted response on world markets yesterday.

Rumours of an imminent buying tender, which had been circulating for some weeks, resurfaced with increased confidence on Tuesday night, prompting sharp rises in the New York and London futures markets. But when the confirmation came it was for a smaller quantity than had been anticipated – 200,000 tonnes instead of 300,000 – and with no other news, or prospects of news, to hold the market's interest the price rise quickly ran out of steam in London. And New York's opening revealed a similar picture.

London's December raws futures position, which had risen by just over $10 on Tuesday, ended the day only another $2 higher at $301 a tonne, while nearby prices in New York added only 18 to 38 points.

Traders in New Delhi and London said the Food and Civil Supplies Ministry had issued a tender to buy the sugar to 23 London suppliers.

Garimpo factor reducing tin deficit

By Richard Mooney

"AMAZONIA IS in the hands of the garimpeiros now," according to one of the leaders of the independent miners who operate in the informal mining sites known in Brazil as garimpos. And the Economist Intelligence Unit believes that fact could weigh heavily on the world tin market in the coming years.

In the August issue of its World Commodity Forecasts, the EIU identifies Brazilian garimpo production as the main factor leading to a sharp cut in its estimate of the non-communist world's supply/demand deficit for tin.

In 1988 consumption exceeded supply by an estimated 16,300 tonnes as members of the Association of Tin Producing Countries (Brazil is not a member) continued to curb production in order to reduce further the level of stocks left overhanging the market by the collapse of the International Tin Agreement in 1984. But the EIU sees the deficit shrinking to 9,200 tonnes this year and to a mere 1,300 tonnes in 1990.

"We suspect that for the first five months of the year (when prices were strong) the overall supply deficit was running at an annual rate close to the 16,300 tonnes estimated for 1988," the EIU says, "but that this rate has since dropped sharply as production picks up."

Brazil's garimpeiros have played an important role in lifting production and the EIU expects their contribution to be even greater next year.

"Of Brazil's mine output of 44,000 tonnes of tin in 1988, about 18,000 tonnes was produced at the Ariquemes garimpo," it says. This rate of production can be sustained in 1989, though it might begin to fall away in 1990. In the extreme north of Brazil, production of tin from the Surucucus gold/tin garimpo is reported to have started in mid-April at the rate of 9,000 tonnes a year of contained tin, well below the site's potential output. Prospectors are also opening two further garimpos near Ariquemes."

"The lead times for developing the full potential of such sites are very short indeed," the EIU points out, "and it would be technically possible for Brazil to produce as much as 75,000 tonnes in 1990."

The report stresses that price forecasts are "necessarily vague" because of uncertainty about the price elasticity of garimpo output. For this year it suggests an average of $4.11 a lb, up from $3.26 in 1988. But in 1989 it forecasts that the average will fall back to $3.90 a lb.

Gabon's oil refuses to run out

Diana Hubbard on why a big find may prove the pundits wrong

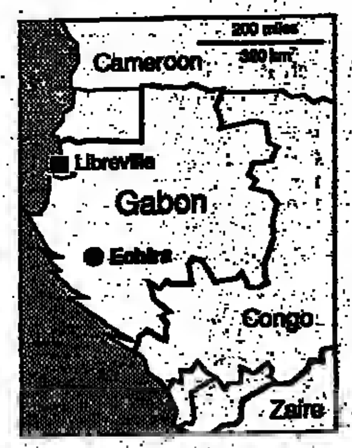
A NEW breed of elephant has been sighted this year in the West African nation of Gabon – not a floppy-eared quadruped but an onshore oilfield located in thick rain forest 140 km (87 miles) south of Port-Gentil.

An "elephant" is oilmen's jargon for a big oil discovery of the dimensions more usually associated with the Middle East than with Africa's seventh oil producer and the smallest member of the Organisation of Petroleum Exporting Countries.

Not that Gabon is new to the oil game. Its first commercial discovery was made as long ago as 1956 and its oil boom came in the 1970s, with production peaking at 11.9m tonnes in 1976. From then on, so the pundits said, it was to be downhill all the way with oil confidently predicted to run out by 1990 and the Government preparing for the "post-oil era."

But the oilmen kept coming and modest but commercial new finds were made. In 1984, one of the original operators in Gabon, Shell, discovered an onshore oil deposit at Echira and, a few months later, two further adjacent discoveries running between two concessions known as Rabi and Kounga. The importance of the finds was not immediately evident. Significant discoveries had been made at Gamba and Ivinga in the 1960s and at Lucina in 1971 but, in the interim, companies had invested heavily – often not recouping their costs – and onshore exploration was complicated by the dense forest which covers three quarters of Gabon's land area.

It took Shell and its partner, Elf Gabon, about two years before they began to realise that they did, indeed, have a fabled "elephant" on their hands. Production started – ahead of schedule – in January this year and by July was running at 50,000 barrels a day, projected to rise to 120,000 b/d early next year. Recoverable reserves are quoted conservatively by Shell at 439m barrels and considerably higher by other oil experts.



Gabon's total national oil output is scheduled to leap by one third this year to around 10.5m tonnes although Opec has not been over-generous with its quotas, raising Gabon's level by less than 10,000 barrels, from 166,000 b/d to 175,000 b/d for the second half of 1989. With projections of more than 13m tonnes in 1990, Oil Minister Julien M'Pouho-Epigat will be pushing for a hefty 43 per cent leap to 250,000 b/d when Opec meets to decide 1990 quotas.

Rabi-Kounga, however, is only one of several attractions currently drawing in the oil majors, such as Exxon which is about to set up its regional headquarters in Libreville, and more minor players such as Taiwan's Overseas Petroleum Investment Corporation, which in 1987 acquired an offshore exploration permit as a sole operator and is about to drill its second well.

Firstly, of course, the geological structures are good – better than Gabon's northern neighbour Cameroon, but less attractive than its southern neighbour, Angola. Where Gabon scores over its immediate neighbours and, indeed, over virtually all the other West African oil nations is in its working environment.

Hardened oilmen become euphoric at the prospect of a posting to Libreville, likened by one newcomer to a "miniature Nice." On the practical side, Gabon's telecommunications are not only the best in Africa but would put many European cities to shame. Houston, Tokyo or New York are just ten seconds away and as clear as if they were the other side of the street. Libreville is served by half-a-dozen international airlines and airport formalities, whilst not as relaxed as somewhere like Kenya, are easy compared with Lagos or Douala.

Families, too, appreciate Libreville, where a woman can walk down the main street without clutching her handbag and the French restaurants would make the Michelin guide. The reverse side of the coin is the CFA franc and the fact that most food is imported. A cheese sandwich and a beer can set you back as much as £10, substantiating a recent poll's claim that Libreville is the third most expensive city in the world after Teheran and Tokyo.

In recent years the well-entrenched Elf Gabon has loosened its hold on Gabon, and ventured into new waters in Nigeria and Angola. At the same time, the number of oil operators has risen from just four in 1982 to 13 today, with a further 23 companies exploring or running offices in the country. In an astute political move in 1987, President Omar Bongo – on his first official visit to the US – spent some time wooing the US oil companies. They are likely to be the strongest contingent among bidders for the eight exploration permits currently on offer in the Government's fourth international round of tenders.

With the average life of an exploration permit only around five years – compared with ten in the North Sea – the turnover is quite rapid and not all of the five offshore and three onshore permits are new. But the US oilmen in particular are undismayed at the prospect of going over old ground. They point to Oklahoma where some permits have been explored several times over before a big discovery is made.

With seismic and other exploration techniques having made tremendous advances in the past decade, the oil companies are betting that Rabi-Kounga will not prove to be a one-off. And many a British Gas shareholder will doubtless be surprised to learn that they could be sharing in the next oil bonanza in Gabon. Since December last year, when it acquired Tenneco's Gabonese interests, British Gas has been the second largest acreage holder in the country and, in addition to extensive exploration concessions, has three small offshore fields producing a steady 12,000 barrels a day.

Soya order post-mortem planned

A US Commodity Futures Trading Commission committee meets next Monday to review events that led to the Chicago Board of Trade's controversial emergency order last month, which forced heavy liquidation of the July soyabean futures contract, and subsequently sank prices, reports Reuter from Washington.

At the meeting, members of the Agriculture Committee will air their views on whether they had detected conflicts of interest when the exchange made the order, said CFTC Commissioner Kalo Hineman, who heads the committee.

"After discussions, they may also make recommendations to the CFTC on the issue," Mr Hineman added.

He said members at the meeting would also be briefed on the rationale behind the CFTC's statements and actions after the stir created by the order.

The 20-member committee comprises representatives from most sections of the farm trade.

The CFTC has come under heavy fire in recent weeks from farm groups and legislators for not revealing details leading to the CBoT order and not questioning the exchange's decision.

In early August, Ms Wendy Gramm, the CFTC chairman, said her agency was still reviewing the exchange's emergency action.

The CBoT order, made on July 11, directed all owners of July 1989 soyabeans futures positions in excess of 3m bushels to liquidate most of their positions.

It provoked sharp criticism from farmers and some traders who claimed the action had caused prices to plunge and resulted in heavy losses. Many US farm groups have demanded details from the exchange about the order, but the exchange has refused to provide them with the information.

The CBoT said the action was taken to ensure fair and orderly liquidation of and delivery against the July contract.

At the centre of the storm was Ferruzzi, the big Italian grains company, which at that time held about 23m bushels of July soyabeans, and failed in a court order to block the CBoT's liquidation order.

Some traders want action against Ferruzzi, which they claim may be responsible for the squeeze on the July contract.

House farm leaders have lashed out at the CFTC and said that the regulatory agency should have sided with farmers who suffered when soyabean prices plunged after the order.

Kuala Lumpur exchange hopes to cut charges

THE KUALA Lumpur Commodity Exchange is to seek clearing house approval to reduce charges on its commodity contracts to try to boost liquidity, reports Reuter.

Mr Syed Jabbar Shahabudin, the chief executive officer, said the exchange wanted to cut the entrance fee for personal account holders to 1,000 ringgit (£236) from 10,000 and to remove charges for contracts bought and sold at the same price on the same day.

The KLCE would also give rebates on trading and clearing fees to people who bought and sold more than 500 lots a month. The three proposals only cover locals (personal account traders). "We want to cut trading costs to encourage more locals to come in and create higher volumes," explained Mr Syed.

WORLD COMMODITIES PRICES

LONDON MARKETS

LONDON METAL Exchange copper prices bounced up again yesterday, following Tuesday's setback, to reach fresh 5½-month highs. The cash price put on £77.50 to £1,877 a tonne, while the three months position gained £66 to £1,838.50 a tonne. Dealers said the rise was encouraged by follow-through strength on New York's Comex, which responded positively at the opening to the LME's early rise. They said further impetus was provided by covering on behalf of operators hed sold short in the belief that Tuesday's fall was the beginning of a substantial technical correction. Meanwhile bullish chart patterns kept the aluminium market's advance going and carried it through another resistance level above $1,820 a tonne for three months metal. That position closed $23.50 up at $1,846 a tonne, while the cash price gained $32 at $1,872.50 a tonne.

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		
Dubai	$15.35-5.40w	-0.09
Brent Blend	$17.15-7.25z	
W T I (1 pm est)	$18.75-8.80w	
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	$193-195	
Gas Oil	$154-156	-1
Heavy Fuel Oil	$82-84	
Naphtha	$155-157	+2
Petroleum Argus Estimates		
Other		
Gold (per troy oz)♣	$364.25	-2.75
Silver (per troy oz)♣	516c	-7
Platinum (per troy oz)	$486.50	-2.75
Palladium (per troy oz)	$136.15	+1.90
Aluminium (free market)	$1865	+25
Copper (US Producer)	129½-134	
Lead (US Producer)	39.5c	
Nickel (free market)	570c	-25
Tin (Kuala Lumpur market)	22.05r	+0.06
Tin (New York)	380.5	+8.0
Zinc (US Prime Western)	83¾c	
Cattle (live weight)†	117.44p	+2.86*
Sheep (dead weight)†	187.33p	+13.0*
Pigs (live weight)†	94.51p	+7.8*
London daily sugar (raw)	$351.6w	+14.2
London daily sugar (white)	$500v	+12
Tate and Lyle export price	£336.5	+8.0
Barley (English feed)	£104.5	-0.5
Maize (US No. 3 yellow)	£130.75	-0.25
Wheat (US Dark Northern)	£126.5t	
Rubber (spot)▼	58.75p	+0.75
Rubber (Sep)▼	61.00p	+0.75
Rubber (Oct)▼	61.75p	+0.75
Rubber (KL RSS No 1 Sept)	240.0m	+0.5
Coconut oil (Philippines)§	$460z	
Palm Oil (Malaysian)§	$325z	
Copra (Philippines)§	$300	
Soyabeans (US)	£159w	
Cotton "A" index	83.75c	+0.30
Wooltops (64s Super)	604p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. z-Sep. x-Nov/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ▼London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Sep	777	774	791 776
Dec	822	822	839 825
Mar	813	806	818 810
May	823	819	828 822
Jul	840	835	843 837
Sep	855	850	865 852
Dec	876	869	883 877

Turnover: 3754 (12085) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 22 957.73 (955.70) ; 10 day average for Aug 23 1031.04 (1041.91)

COFFEE £/tonne

	Close	Previous	High/Low
Sep	766	774	786 764
Nov	763	767	786 761
Jan	769	778	793 765
Mar	790	790	811 787
May	805	807	827 800
Jul	825	830	840 839
Sep	850	850	848 845

Turnover: 5758 (4210) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 21: Comp. daily 68.68 (67.91). 15 day average 69.85 (68.74)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Oct	315.40	310.00	315.00 307.00
Dec	301.00	299.00	298.60
Mar	292.60	290.40	292.60 287.00
May	286.40	286.00	286.00 283.00
Aug	281.80	279.80	279.00
Oct	274.40	272.00	275.20 272.00
White	**Close**	**Previous**	**High/Low**
Oct	422.00	417.00	422.50 418.00
Dec	382.00	378.50	380.00 379.00
Mar	361.00	358.50	363.00 359.00
May	357.60	356.00	357.50 356.50
Aug	353.50	352.50	354.00 353.50

Turnover: Raw 3461 (3798) lots of 50 tonnes. White 2207 (735).
Paris- White (FFr per tonne): Oct 2770, Dec 2565, Mar 2570, May 2555, Aug 2335, Oct 2315.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Oct	16.95	17.01	17.00 16.92
Nov	16.81	16.88	16.87 16.80
Dec	16.70	16.78	16.85 16.70
IPE Index	17.01	16.95	

Turnover: 3101 (4162)

GAS OIL $/tonne

	Close	Previous	High/Low
Sep	153.00	154.25	153.75 152.00
Oct	152.50	153.50	153.00 151.50
Nov	152.50	153.25	153.25 151.50
Dec	153.50	153.25	153.50 152.00
Jan	152.00	153.00	152.50 151.50
Feb	149.00		149.50 149.00
Mar	144.75		144.75 144.00
Apr	143.25	144.00	143.25

Turnover 7359 (6815) lots of 100 tonnes

Wool

Holidays are of lessening effect and manufacturing is returning to normal. But for many firms in the UK and Europe, orders are scarce and there is widespread below-capacity working. This leads to intensely competitive pricing and a reluctance to hold stocks. Around 50pc of Australian wool offerings at auction is being bought by the Wool Corporation at support levels. High percentages are partly due to a rush by growers to turn wool into cash and partly a reluctance to hold stocks while the market shows no signs of rising. Bradford quoted prices for tops are about 604p per kg. for 64super and 346p for 56s carded.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 20,750 tonne
Cash	1870-5	1838-43	1865	1862-5		
3 months	1845-7	1820-5	1855/1820	1844-5	1845-6	29,848 lots
Copper, Grade A (£ per tonne)						Ring turnover 48,250 tonne
Cash	1876-8	1799-800	1876/1833	1830-3		
3 months	1838-9	1772-3	1840/1785	1802-4	1826-7	71,284 lots
Lead (£ per tonne)						Ring turnover 4,900 tonne
Cash	447-9	443-4	450	450-1		
3 months	442-3	437-7.5	444.5/437	441-2	443-4	10,522 lots
Nickel ($ per tonne)						Ring turnover 1,806 tonne
Cash	12350-450	12675-825	12550/12400	12400-50		
3 months	11800-50	12000-100	12000/11800	11875-900	11800-900	5,135 lots
Tin ($ per tonne)						Ring turnover 940 tonne
Cash	8220-50	8220-40		8370-90		
3 months	8330-50	8330-60	8600/8300	8520-30	8400-50	5,887 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 15,625 tonne
Cash	1933-40	1834-5	1945/1920	1945-50		
3 months	1715-20	1705-10	1725/1685	1710-5	1700-2	11,649 lots
Zinc ($ per tonne)						Ring turnover 7,150 tonne
Cash	1810-30	1783-85		1770-800		
3 months	1670-85	1657-62		1665-70	1640-50	8,710 lots

LME Closing £/$ rate:
SPOT: 1.5720 3 months: 1.5533 6 months: 1.5361 9 months: 1.5236

POTATOES £/tonne

	Close	Previous	High/Low
Nov	144.0	145.5	142.0 135.0
Apr	221.5	225.5	223.0 217.0
May	244.0	248.0	240.0 239.0

Turnover 467 (532) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	138.50	139.00	139.00
Feb	143.00		143.00

Turnover 111 (127) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Aug	1426	1433	1430 1427
Sep	1495	1497	1493 1489
Oct	1550	1552	1550 1545
Jan	1593	1594	1592 1585
Apr	1618		1617 1614
BFI	1427	1423	

Turnover 76 (74)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	106.20	106.35	106.35 106.30
Nov	109.75	109.70	109.80 109.75
Jan	113.05	112.95	113.20 113.05
Mar	115.80	115.85	115.95 115.80
May	118.40	118.40	118.75 118.60
Barley	**Close**	**Previous**	**High/Low**
Sep	102.50	102.60	102.60 102.50
Nov	106.70	106.65	106.70 106.55
Jan	109.90	109.80	109.90 109.85
Mar	112.60		112.60

Turnover: Wheat 188 (188), Barley 62 (88).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Nov	121.0		121.0
Feb	115.0		115.0

Turnover 15 (10) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	364-364½	231¼-232¼
Opening	368½-368¾	231-231½
Morning fix	366.60	230.905
Afternoon fix	366.20	232.864
Day's High	367-367½	
Day's Low	362¼-363¼	
Coins	**$ price**	**£ equivalent**
Mapleleaf	375-380	239-242
Britannia	375-380	239-242
US Eagle	375-380	239-242
Angel	375-380	239-242
Krugerrand	363-366	231-233
New Sov.	85½-86½	54½-55¼
Old Sov.	85½-86½	54½-55¼
Noble Plat	492.35-500.15	313.40-318.35
Silver fix	**p/fine oz**	**US cts equiv**
Spot	332.45	522.75
3 months	344.05	534.80
6 months	355.60	546.25
12 months	378.85	569.25

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1800	83	94	7	44
1900	22	45	45	95
2000	9	21	125	165
Copper (Grade A)	**Calls**		**Puts**	
1800	158	166	14	67
1900	94	117	42	146
2000	56	79	93	206

LONDON FOX TRADED OPTIONS

Coffee	Nov	Jan	Nov	Jan
700	85	107	22	41
750	55	80	42	66
800	32	59	69	95
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
800	60	71	30	58
850	35	52	55	89
900	19	38	89	125

US MARKETS

IN THE METALS, commission house and local stop-loss selling kept gold, silver and platinum futures under pressure, reports Drexel Burnham Lambert. Gold bottomed-out at 366.50 basis October while December silver fell to a low of 530.00. Copper prices rallied sharply with heavy trade and commission house buying. Lower Comex stocks were cited as a major influence on the rally. In the softs, sugar remained strong as scattered carry-over buying from Tuesday rallied prices 18 points basis October. Cocoa trading was less active than previous sessions as consolidation took place. Coffee gained from fund buying with the December contract up 242 points. Most of the grains closed easier as adequate Mid-West rainfall continues to keep the markets lower. The livestocks were all higher led by the hog futures. Light hog runs and a large discount of futures to cash influenced the rally. Pork bellies advanced as evening-up ahead of Wednesday's cold storage report was featured. Cattle prices gained slightly after a mixed session. The energy complex continued to have quiet trading as many await the arrival of upcoming production numbers and the Labour-Day holiday in the US.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	365.8	367.2	368.5	365.5
Sep	366.3	368.8	0	0
Oct	368.1	370.7	371.3	366.5
Dec	371.9	374.5	375.4	370.5
Feb	375.9	378.5	379.0	374.5
Apr	379.4	382.1	380.0	379.0
Jun	383.4	386.0	386.0	382.5
Aug	387.2	389.7	387.8	386.5
Oct	391.2	393.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Sep	485.4	487.5	0	0
Oct	487.7	489.8	490.0	485.5
Jan	491.2	493.3	493.5	488.0
Apr	495.2	497.3	499.6	495.0
Jul	498.0	500.7	0	0
Oct	502.5	504.8	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	127.60	126.15	127.90	127.25
Sep	127.85	126.35	129.20	127.40
Oct	126.85	124.15	0	0
Dec	124.40	121.85	124.90	123.00

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug 22	Aug 21	mnth ago	yr ago
1857.5	1894.2	1858.5	1934.2

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	129.48	128.87	130.60	136.66
Futures	131.12	130.44	129.50	134.54

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	516.4	522.1	0	0
Sep	517.5	523.5	526.0	517.0
Oct	521.5	527.5	0	0
Dec	530.3	536.3	538.0	530.0
Jan	533.7	539.7	0	0
Mar	542.3	548.3	550.0	543.0
May	550.4	556.4	560.0	553.0
Jul	558.5	564.8	0	0
Sep	567.5	573.3	0	0
Dec	579.4	586.4	586.0	581.5

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	18.76	18.69	18.82	18.58
Nov	18.60	18.50	18.63	18.40
Dec	18.42	18.39	18.45	18.30
Jan	18.28	18.26	18.32	18.20
Feb	18.15	18.10	18.15	18.05
Mar	18.05	18.01	18.11	18.00
Apr	18.00	17.97	18.05	18.03
May	17.97	17.94	18.00	18.00
Jun	18.00	18.04	18.03	18.00
Jul	17.97	18.01	17.97	17.97

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	5195	5179	5220	5145
Oct	5265	5241	5295	5210
Nov	5365	5340	5385	5310
Dec	5400	5392	5430	5350
Jan	5400	5395	5435	5385
Feb	5225	5187	5215	5195
Mar	5065	5047	5075	5035
Apr	4747	4737	4747	4740

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Sep	1130	1120	1145	1122
Dec	1145	1137	1158	1141
Mar	1145	1136	1158	1141
May	1163	1145	1166	1150
Jul	1183	1163	1171	1160
Sep	1181	1174	0	0
Dec	1201	1193	1205	1198
Mar	1225	1214	1225	1225

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	83.22	78.54	83.60	80.10
Dec	84.74	82.32	85.45	82.20
Mar	87.00	84.86	87.01	84.70
May	88.54	86.55	89.25	86.00
Jul	89.50	86.55	89.50	86.50
Sep	92.75	90.20	0	0
Dec	93.26	90.44	90.50	90.50

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	14.13	13.95	14.15	13.78
Jan	13.35	12.97	0	0
Mar	13.10	13.01	13.15	12.88
May	12.97	12.79	13.00	12.75
Jul	12.78	12.65	12.65	12.65
Oct	12.48	12.36	12.40	12.28

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	76.25	76.14	76.40	75.80
Dec	76.60	76.60	76.90	76.10
Mar	77.60	77.35	77.90	77.45
May	78.15	77.85	78.10	77.70
Jul	77.90	77.71	78.00	77.45
Oct	72.20	71.60	72.15	71.95
Dec	69.60	68.47	69.07	68.10

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	165.05	162.20	165.95	162.10
Nov	148.05	147.00	148.80	144.40
Jan	142.45	144.00	143.25	142.20
Mar	141.45	143.00	141.60	141.00
May	140.70	141.70	0	0
Jul	139.90	141.20	0	0
Sep	139.90	141.20	0	0
Nov	139.90	141.20	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	596/0	603/0	606/0	596/4
Nov	591/4	596/0	599/4	590/0
Jan	601/2	605/0	609/0	599/0
Mar	612/4	615/4	617/4	609/4
May	617/4	622/2	625/0	617/0
Jul	621/6	625/0	629/4	620/4
Aug	617/0	617/0	0	0
Sep	585/0	585/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	18.78	18.97	19.01	18.65
Oct	19.02	19.24	19.30	18.92
Dec	19.40	19.66	19.73	19.35
Jan	19.70	19.75	19.80	19.60
Mar	20.00	20.25	20.25	20.00
May	20.35	20.60	20.55	20.30
Jul	20.60	20.80	20.75	20.60
Aug	20.75	20.80	20.80	20.75
Sep	20.80	20.90	20.90	20.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	193.6	194.1	194.4	192.2
Oct	187.4	187.4	188.6	185.7
Dec	184.5	185.3	186.2	184.7
Jan	185.5	185.5	187.2	185.4
Mar	186.6	186.6	187.5	186.2
May	186.6	186.6	187.5	186.3
Jul	187.5	188.0	188.5	187.2
Aug	188.5	188.7	188.0	187.0
Sep	187.0	188.0	188.0	187.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	236/0	236/2	238/2	235/4
Dec	237/4	240/0	241/2	237/2
Mar	247/2	249/0	249/6	247/0
May	250/4	252/4	253/2	250/4
Jul	252/0	254/4	255/0	252/0
Sep	243/0	244/4	245/0	243/0
Dec	240/4	242/4	245/0	240/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	391/6	390/4	393/4	390/0
Dec	405/6	405/2	407/0	404/0
Mar	409/2	411/6	411/4	405/4
May	399/0	400/4	400/0	398/0
Jul	367/4	368/0	368/0	365/0
Sep	371/4	372/4	0	367/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	74.05	74.10	74.10	73.80
Oct	75.80	75.30	75.60	75.40
Dec	74.55	74.62	74.85	74.47
Feb	73.27	73.12	73.35	73.00
Apr	74.37	74.30	74.40	74.20
Jun	72.80	72.57	72.80	71.85
Aug	70.35	70.57	70.75	70.35

LIVE HOGS 30,000 lb; cents/lb

	Close	Previous	High/Low	
Oct	41.47	40.65	41.50	40.62
Dec	42.47	41.85	42.55	41.97
Feb	42.05	41.52	42.25	41.72
Apr	41.07	41.02	41.15	40.70
Jun	45.30	45.50	45.60	45.05
Jul	43.82	43.85	44.00	43.62
Aug	44.40	44.00	44.00	44.00
Oct	41.50	41.25	41.75	41.25

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	27.17	26.82	27.82	26.72
Feb	42.10	41.77	42.20	41.75
Mar	42.05	41.95	42.60	41.85
May	43.00	43.00	43.40	0
Aug	43.20	42.00	43.40	0

LONDON STOCK EXCHANGE

Equities resist trade deficit shock

THE SECOND worst set of UK monthly trade figures on record, and the subsequent dip in sterling, upset the London stock market briefly yesterday but could not restrain it from closing at a new peak for the year. Market strategists, who were obliged to agree that the UK July visible trade deficit of £2bn was considerably greater than their estimates, struggled to justify the equity market's erratic performance.

A roller-coaster session saw the market 17 Footsie points up ahead of the trade figures, then plunging into negative territory following the announcement; it recovered quickly only to abandon its rally, but was moving upwards again in late dealings.

Account Dealing Dates			
First Dealings:	Aug 14	Sep 4	Sep 18
Option Declarations:	Aug 31	Sep 14	Sep 28
Last Dealings:	Sep 1	Sep 15	Sep 29
Account Day:	Sep 11	Sep 25	Oct 9

"New time dealings may take place from 9.00 am two business days earlier.

The FT-SE Index closed a net 11.8 higher on the day at 2,382.4, a new 1989 closing peak; at its best level, about 45 minutes ahead of the trade figures announcement, the Footsie Index touched 2,388.4, still a shade below the trading peak for the year seen on Tuesday.

Equity market analysts were somewhat nonplussed in their attempts to assess the sharp rise in the UK monthly trade deficit. "Little hope now of an early cut in base rates," commented Mr John Reynolds at Prudential-Bache. On the other hand, the trade figures did little to shift market belief that next Spring could bring better news on the domestic interest rate front.

Market indices were driven ahead again by speculative activity in several blue chip names. ICI continued to stand out strongly, although a leading US house rejected suggestions that it had valued the group on a break-up basis.

Glaxo moved ahead as the group disclosed that US sales of Zantac, its anti-ulcer drug, are running around 20 per cent ahead so far this year, confounding fears that last year's 26 per cent growth presaged a sharp downturn this year.

The announcement – after the close of the London equity market - that Hoylake, the Sir James Goldsmith led consortium, has agreed the conditional sale for $4.5bn to Axa Midi Assurances of Farmers Group, the Californian insurance subsidiary of BAT Industries, helped BAT recover an early fall to close sharply higher on the day.

The rest of the market was somewhat scrappy and Seaq trading volume of 439m shares, against 391.6m on Tuesday, leaned heavily on the handful of blue chips in the spotlight. Despite the increase in Seaq volume yesterday, traders stressed that the big investment institutions had shown no greater willingness to sell stock than at the beginning of last week, the occasion on which the current upswing in the equity market was challenged.

With equity turnover still at a low ebb as the August holiday period runs its course, equity strategists are cautious of expressing over confidence.

FINANCIAL TIMES STOCK INDICES

	Aug 23	Aug 22	Aug 21	Aug 18	Aug 17	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	87.22	87.62	87.80	87.64	87.58	87.80	90.29 (8/2)	86.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.97	97.82	97.71	97.69	97.72	97.33	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1975.9	1966.3	1969.0	1978.0	1975.0	1467.5	1979.0 (18/8)	1447.8 (3/1)	1979.0 (18/8/89)	49.4 (26/6/40)
Gold Mines	201.7	202.0	202.0	204.0	203.8	197.5	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2382.4	2370.6	2374.7	2376.1	2380.0	1819.2	2382.4 (23/8)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.00	4.03	4.02	4.00	4.01	4.65				
Earning Yld %(full)	9.57	9.63	9.60	9.57	9.58	11.73				
P/E Ratio(Net)(*)	12.59	12.52	12.55	12.59	12.58	10.38				
SEAQ Bargains(5pm)	25,970	26,057	27,046	27,126	28,903	19,209				
Equity Turnover(£m)†		857.71	648.95	877.74	839.28	839.71				
Equity Bargains†		26,835	27,330	27,855	31,018	20,466				
Shares Traded (mlt)†		335.4	276.7	358.9	459.3	381.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ★ Nil 12.48

Ordinary Share Index, Hourly changes — Day's High 1981.2 — Day's Low 1962.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1969.0	1976.6	1980.1	1974.8	1967.3	1963.5	1964.8	1969.2

FT-SE, Hourly changes — Day's High 2388.4 — Day's Low 2363.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2371.1	2384.5	2387.3	2380.3	2369.2	2365.1	2367.7	2373.5

S.E. ACTIVITY

Indices	Aug 22	Aug 21
Gilt Edged Bargains	80.1	89.3
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5 - Day average		
Gilt Edged Bargains	86.8	88.4
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. London report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]				[illegible]				[illegible]				[illegible]			
Brit. Aerospace	910	692	+1	Coloroll	1,800	598	+3	Polly Peck Intl	272	293		Tate & Lyle	719	289	-4
British Airways	3,400	198	+5	Hammerson "A"	65	793	-6	Prudential	2,400	210½	+1	Taylor Woodrow	1,900	295	+3
British Gas	2,600	207½	-1½	Hanson	8,180	230		RHM	1,200	467	+6	Tesco	5,200	215½	+2½
British Land	49	382		Harrisons & Cros.	1,580	170		RMC	498	756	-5	THORN EMI	1,500	838	+15
BP	5,300	294½	+3	Hawker Siddeley	96	756	-5	RTZ	1,300	545	-2	Trafalgar House	2,600	408	-8
British Steel	8,700	78	+1¼	Hillsdown Hldgs	12,000	313	+1	Racal	1,200	213	+1	Trusthouse Forte	4,900	341	+4
British Telecom	3,900	258		[illegible]	738	238	-2	Rank Org.	261	957	-7	Ultramar	2,400	339	+6½
Burmah Oil	860	652	+2	Imp. Chem.	4,800	1336	+18	Reckitt & Colman	100	1246	+13	Unilever	594	648	+1
Burton	2,080	259	-5	Inchcape	367	289	-1	Redland	936	568	+3	United Biscuits	2,300	391	+1
Cable & Wireless	2,100	588	+6	Jaguar	1,390	419	+5	Reed International	1,900	466		Utd. Newspapers	275	500	-12
Cadbury Schweppes	1,575	412	+7	Kingfisher	3,300	345	-3	Reuters	791	962	+12	Wellcome	2,580	736	-20
Carlton Comms.	697	889	+3	Ladbroke	1,330	334	+8	Rolls Royce	4,700	185	+½	Whitbread "A"	1,600	387	+10
Commercial Union	1,400	416	+4	Land Securities	78	592	+3	Rothmans	567	672	+6	Williams Hldgs	3,100	767	+3
Cons. Gold Fields	8	1480		Laporte	268	518	+10	Royal Bk of Scotland	1,300	440	+11	Wimpey	365	271	+1

Shell and oil spillage

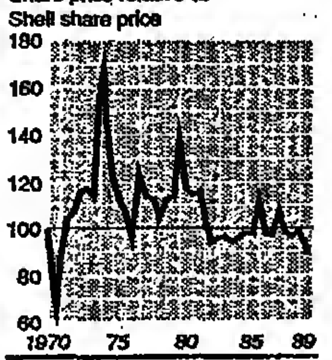
Poor sentiment from the oil spillage in the river Mersey washed further over Shell.

Analysts were agreed that the cash cost of clearing up the pollution was negligible in relation to the company's earnings but that the event was a public relations shot in the foot.

Mr Fergus Macleod, of the oils team at BZW, drew a comparison with BP, where the share price has been hit in the wake of the Exxon Valdez pollution incident in Alaska. BP has 50 per cent of pipeline operator Alyeska, which is involved in cleaning up Alaskan slick. "Shell is at a 20-year high against BP, but the Mersey spillage has shown that pollution is an industry-wide problem." On Monday Mr Macleod issued a recommendation to switch from Shell to BP.

BP

Share price relative to Shell share price



Mr Steve Turner, at Smith New Court, also pointed to the high relative strength of Shell against BP. "It only took a bit of bad news to tip them over the edge," he said.

Shell's price was dragged down to 422p before ending at 425p, down 5 on the day. BP firmed 3 to 294½p, the day's high.

BAT surge late

BAT Industries reversed an early fall to move strongly higher after the official close of the market following news that Hoylake, the Sir James Goldsmith-led consortium, has conditionally agreed the sale of Farmers Group, acquired last year by BAT Industries, to Axa Midi Assurances of France for $4.5bn and an investment of £600m in shares of Hoylake.

The apparent move to avoid Californian insurance regulatory problems over the Hoylake bid was read in the equity market as increasing the chances of success for Hoylake's takeover approach. However, market strategists were uncertain as to the implications of this unexpected development on the major bid situation currently hanging over the equity market.

Profit-takers finally got the upper hand in Wellcome after several days of powerful rises on the back of encouraging news for its anti-Aids drug Retrovir. The shares eased 20 to 736p. Fisons also retreated after recent strength, closing 5 lower at 350p.

"The squeeze continues," remarked one exasperated marketmaker in the banks sector as another day of good gains in modest volume drew to an end. The best performance came from Barclays, up 10 at 534p on turnover of 3.2m shares, followed by Lloyds and NatWest, both up 5 to 408p and 345p respectively. The one exception was Midland, which for the second-session running succumbed to profit-taking, closing down 8 at 359p.

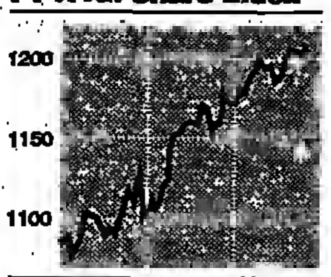
Also firmer were Royal Bank of Scotland, up 11 at 440p and boosted by a leading securities house bidding aggressively for stock. Turnover in Abbey National picked up; 9.8m shares changed hands as the price steadied at 147½p.

Among insurance stocks Guardian Royal Exchange were actively sought ahead of the approaching figures, the shares rising 12 to 230p on turnover of 2.5m. Royal Insurance were also up 12, at 443p on 3m shares, following a buy recommendation from two brokers, Goldman Sachs and Smith New Court. "Royal is well supported by its 1990 prospective yield and offers certain speculative attractions," said Smith. "Sentiment is more likely to concentrate on these aspects than the poor outlook for earnings over the next couple of years." Goldman Sachs advised clients to switch from Commercial Union into Royal, but this did not prevent CU from advancing 9 to 327p during the session.

Brewery stocks were again in fine form, in particular the regionals. Wolverhampton & Dudley, up 11 at 488p, were buoyed by the "guest beer" factor: among the changes being imposed on the brewing industry by the MMC is a recommendation that pubs sell at least one guest beer, and W&D's brands will probably feature heavily as guest beers say analysts.

Of the other regional gains, Boddington, up 7 at 186p, Devenish, 16 higher at 358p, Marston Thompson, 9 firmer at 238p, and Morland, 5 dearer at 795p, were better on the "Whitbread umbrella" factor. The *Whitbread umbrella is the* term used to describe the variety of stakes in UK brewers held by either the Whitbread group, or the Whitbread Investment Trust.

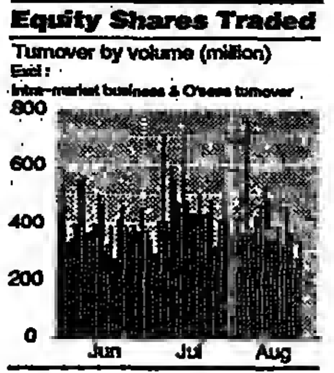
FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)

Excl: Intra-market business & O'seas turnover



The Whitbread umbrella holds 42 per cent of Morland, 37 per cent of Marston Thompson, 30 per cent of Boddington, and 17 per cent of Devenish. However, the MMC has ruled that a brewer can no longer own more than 15 per cent of a rival brewer. This means that Whitbread and the trust will have to sell down to below 15 per cent its stakes in the these four regional brewers, putting them, say analysts, into play as takeover candidates.

Of the leading stocks, Bass rose 24 to 1147p on a stock shortage, while Whitbread "A" added 10 at 387p, Allied Lyons 7 at 554p and Guinness 3 at 590p, all in modest trade. Scottish & Newcastle again traded nervously ahead of today's annual meeting, the shares slipping back 4 to 400p.

Hotels and leisure group Ladbroke gained 8 at 334p as the market looks forward to the interims at the end of the month.

Building issues continued to run contrary to the general trend. A circular from Lilley strongly attacking the Tilbury defence document took the latter's shares down 19 to 619p while Alfred McAlpine slipped after lower interim profits and a warning on the full-year outcome to close 10 off at 379p. The sale and leaseback of its new office building in Colchester depressed Anglia Secured Homes and the shares settled at a new low of 140p, down 10. McCarthy & Stone continued to retreat, losing 11 more to 137p.

However, the most notable fall in the construction sector was recorded by Stanley Miller. The shares tumbled to 268p before rallying to 279p, for a net loss of 21, following a report that the Department of the Environment had called a public inquiry into the Tyne & Wear Development Corporation's compulsory purchase order on the Newcastle Quayside site where Stanley Miller plans a £140m development.

Mail order specialists GUS (Great Universal Stores) continued to race ahead on revived talk of buying-in and a general stock shortage, the "A" shares adding a further 23 at 1157p.

Among second liners the decision of the Blacks Leisure egm to rubber stamp the company's bid for Scottish retailers Goldberg helped the latter put on 12 at 161p, while Blacks ended a ¼ weaker at 51½p.

Weir Group was the only significant move in an otherwise near featureless engineering sector. Excluding exceptionals, largely representing profits from the sale of its Howden stake, pre-tax profit rose 20 per cent.

The shares, however, fell sharply, touching 304p before closing 6 lower at 306p. Mr Bob Bucknell, part of the team of engineering analysts at Smith New Court, said that Weir "still has an overriding problem with Hopkinsons, which it bought in the spring. It is proving more difficult than expected to turn around." He added that the softening of the local economy in Canada had also contributed to his decision to trim the current year's forecast for Weir profits from £21m to £20½m. The tax charge could be higher, he said, and cut the eps by 2p to 25.7p.

Japanese buying helped British Steel firm 1¼ to 78p.

Foods were traded quietly with most stocks posting modest gains. Cadbury Schweppes put in the biggest rise of the day, adding 7 at 412p, while the heaviest trade was in Hillsdown, a penny better at 313p on turnover of 12m shares, which included two bargains of 3.5m and one of 2.4m. The market was unsure as to where the large chunks came from, and there was some speculation that it could have been the Kuwait Investment Office further reducing its near 6 per cent stake.

The one exception to the gains was Tate & Lyle, down 4 at 289p; the market is worried that the company may make another cash call to finance further overseas acquisitions, said dealers. Analysts note that after the success of the last two purchases, of Staley and Amstar, Tate may be ready for more, perhaps in Europe. One possible target, say researchers, is Belgium sugar refiner Raffinerie Tirlemontoise, which has performed impressively on the Brussels bourse in recent months on takeover speculation.

Buying of Pilkington warrants, up 17 at 145p, was said to be behind brisk business in the traded option and in turn the cause of a rise of 9 in the equity to 270p.

Continued worries over cost overruns on the Channel tunnel, knocked another 21 off Eurotunnel, which closed at 775p. Trafalgar House, which is said to be in line for large contracts from Eurotunnel, fell 8 to 408p, after 405p.

Brent Walker put in a spurt towards the close of trade. Apart from resurgence of old and vague talk that the company might sell off its whisky side to Japanese interests, the *company yesterday issued invitations* to analysts to its interims next month. At least one marketmaker decided that the venue, the Waldorf Hotel, made a change from the Park Lane Hotel, used previously. It sparked a rumour that the reason was that the company was about to sell the Park Lane along with its casino interests and was enought to put 19 onto the price at 414p.

Evans Halshaw rallied 7 to 270p helped by favourable reviews of Tuesday's first-half results.

United Newspaper were still prone to profit-taking after the recent strength and lost 12 more to 500p, but More O'Ferrall improved 6 to 414p after increased mid-term profits.

Rothmans International ticked higher after Hoare Govett *upgraded its estimates for* both this year and next. It is now looking for the current period to produce profits of £385m. After moderate volume the shares finished 6 higher at 672p.

A downgrading by Smith New Court, and further consideration of the two-part sale of its holding in Irish leasing company Woodchester undermined British & Commonwealth. The shares fell 9 to 170p but the securities house believes that yield and earnings support will prevent the stock, recently active in the traded options market, falling much further. Smith's estimate for current year profits was on the high side at £169m, compared with a market range of £155m to £170m, and this has now been reduced to £144m.

Dawsongroup posted halved interim pretax profits, and the shares slumped 18 to 103p.

Aran Energy lost 5 before closing 3 off at 63p. One analyst mentioned doubts over the level of reserves in the Gryphon and Alba fields in the North Sea. Others said this was unlikely, saying that the weakness was prompted by further fears of a rights issue to fund an acquisition that would provide cash flow to pay for the development of Gryphon and Alba.

Tuskar Resources more than recovered Tuesday's fall after the publication of the latest drilling report. The shares closed up 5¼ at 53½p.

Lasmo rose sharply in the last hour of trade on strong suggestions of an oil find in Syria. Analysts said that if true *it would stimulate speculation* over how much upside there was in Lasmo's international drilling programme. "This is encouraging so far," said Mr Keith Morris of the oils team at Kitcat & Aitken, "but it could be several weeks before we know the extent of any discovery."

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 22

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (96).
BRITISH FUNDS (1) BANKS (2) BREWERS (7) BUILDINGS (2) CHEMICALS (3) STORES (4) ELECTRICALS (8) FOODS (7) HOTELS (1) INDUSTRIALS (13) Alexandra W'lowear, BBA, Do. 6.7pc Cm. Rd. Cv. Pf., Cape Inds. 8.4pc Pf., Christies Int'l., Morgan Crucible, Do. 7.5pc Cv Pf., Norfolk House Grp., Optometrics, Photo-Me, Pilkington Wrnts., Rock, Tomkins, INSURANCE (3) LEISURE (2) MOTORS (1) PAPERS (1) PROPERTY (9) TEXTILES (1) TOBACCOS (1) TRUSTS (21) OVERSEAS TRADERS (3) MINES (7) THIRD MARKET (2).
NEW LOWS (55).
BUILDINGS (11) CHEMICALS (1) STORES (4) ELECTRICALS (10) ENGINEERING (1) INDUSTRIALS (10) Airsprung Grp., Betacom, Campbell & Armstrong, Cowan de Grt., Diploma, Ibex, Oakwood, Sterling Inds., Tubular Exhbs., Utd. Guarantee, INSURANCE (1) MOTORS (4) PAPERS (1) PROPERTY (5) TRANSPORT (2) TRUSTS (2) MINES (2) THIRD MARKET (1).

APPOINTMENTS

British Gas re-organises into three main units

BRITISH GAS is being transformed from a functionally driven organisation into one in which operating responsibilities are devolved to three units: gas, exploration and production, and new business development.

As part of the re-organisation the following appointments have been made in the GAS unit, from September 1: Mr Simon Kirk, Eastern deputy chairman, becomes responsible for marketing; Mr Barry Reynolds, HQ director of accounting services, becomes responsible for finance; Mr Max Tighe, HQ director of employee relations, becomes responsible for personnel; and Mr Russell Herbert, East Midlands director of engineering, becomes responsible for engineering.

Mr David Heslop, HQ director of sales, becomes Southern chairman from October 1; and Mr Allan McKay, North Thames deputy chairman, becomes North Eastern chairman from September 1.

Mr George Langshaw, Wales chairman, becomes group director of personnel from September 1.

Mr Ian Broxup *(above)* has been appointed managing director of MPE, a defence components and electronics manufacturing company owned by Adwest. He was finance director, and has previously worked at Lucas Aerospace, Serck and Petbow.

■ The chief executive officer of IFAP will be Ms Joanne Hindle, director general of the Market Research Society. Before that she was director of financial services with the British Insurance & Investment Brokers Association.

■ Mr Brian Hartigan has been appointed deputy managing director of HSS HIRE SHOPS, part of the Mowlem group. He was director for purchasing and marketing.

■ Mrs Jane Pickard has been promoted to senior and group manager of business services at COOPERS & LYBRAND, Birmingham.

■ J. WALTER THOMPSON CO has appointed Mr Dominique Simonin as chairman and chief executive officer of JWT Europe, and Mr Miles Colebrook as president and chief operating officer. They were regional presidents. The appointments are from October 1 when Mr *Michael Cooper-Evans, the* present chairman, retires.

■ Mr Mike Brooks has been appointed a director of LOGITEK, Manchester, *following the takeover of* Advansys where he was executive chairman.

■ STURGE HOLDINGS has appointed Mr Peter Sole as *the group's* management information services director. He was MIS director of Dixons Stores Group.

■ Mr Norman Scoular has been appointed to the board of FKI as executive director, following the demerger of FKI Babcock. He was managing director of the electrical products group.

■ Mr Andrew Chisholm, Mr Paul Roth, Mr Victor C. Turner and Dr Tony Jackson have been appointed directors of CHISHOLM ROTH & CO.

■ SWISS VOLKSBANK has appointed Mr Paul Dubler, senior vice president, as London branch manager, taking over from Mr Patrick von Stauffenberg. Mr Dubler was senior vice president, commercial banking, at the Berne head office. Mr John Shield becomes head of commercial banking, London, and Mr Thomas Mulligan joins his team from Barclays Bank.

■ Mr Eric Robert Crossley has been appointed a non-executive director of all companies in the RELIANCE MUTUAL GROUP from August 30.

■ Mr Derek R. Perrey, a group board director of HIGH-POINT, has been appointed chairman of High-Point Project *Management, and chief* executive of the newly-formed High-Point Developments.

TELECOMMUNICATION INFORMATION SYSTEMS has appointed Mr Roger Denny *(above)* to the new post of marketing director. He was at Barclays Bank, and at Harris/Lenfer.

INTERNATIONAL APPOINTMENTS

Chief named for European paper tissue joint venture

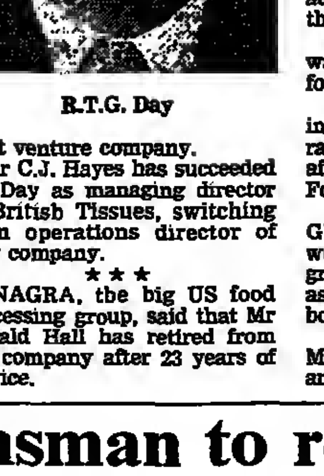
THE PAPER tissue joint venture being set up by Nokia, the Finnish conglomerate, James River, the US paper company, and Mr Raul Gardini's Italian Ferruzzi group will have Mr R.T.G. Day as its president and chief executive officer.

Mr Day will assume these roles early next year, when the establishment procedures for the joint venture company have been completed.

The new company, which will be one of the largest in the increasingly concentrated European paper tissue market, is being formed from the three companies' existing operations in this field. It will be 50 per cent-owned by Nokia, with the other half jointly held by James River and Ferruzzi.

Since 1978, Mr Day has been managing director of British Tissues, presently a wholly-owned subsidiary of Nokia.

With immediate effect, Mr Day has been appointed president of Nokia Paper Division, which includes Nordic Tissues (Finland), British Tissues (UK), Deeko (UK), Sodipan-Nokia (France) and Nokia Ltd. (Ireland), all to form part of the joint venture company.



R.T.G. Day

Mr C.J. Hayes has succeeded Mr Day as managing director of British Tissues, switching from operations director of that company.

★ ★ ★

CONAGRA, the big US food processing group, said that Mr Ronald Hall has retired from the company after 23 years of service.

His last position was executive vice president, Europe, ConAgra International and managing director, ConAgra Europe.

Mr Charles Harper, ConAgra chairman and chief executive, commented: "For over 20 years, Ron Hall has been a catalyst in building ConAgra's international presence. Ron started and built ConAgra businesses in Spain and Portugal, and during a critical period helped to build our business in Puerto Rico."

● The group named Mr Michael Lapsys director general of the ConAgra Spain arm.

Mr Lapsys's previous post was president of ConAgra Seafood Companies.

He joined the ConAgra group in 1981 as *manager of corporate* planning and development after assignments with Dalgety Foods and Cook Industries.

★ ★ ★

GENERAL MOTORS, the world's largest automotive group, elected Mr J.W. Marriott as a director, expanding the board's size to 17 directors.

Mr Marriott is chairman of Marriott Corp, a US lodging and food services company.

Interco helmsman to retire

INTERCO, the largest US manufacturer of shoes and furniture, announced that Mr Harvey Saligman, chairman and chief executive, will retire from active service with the company on May 31 next year.

To provide orderly transition of management, Mr Richard Loynd, who was named president and chief operating officer in March, will become chief executive on November 1.

Mr Saligman will remain chairman until his retirement, after which he will continue to be a member of Interco's board. There was no mention of who will take over the role of chairman.

★ ★ ★

UNISYS, third largest US computer maker, named Mr Cyril Yansouni president of its Network Computing Group, where turnover for the sector is predicted to surpass $2bn this year.

He will join the Unisys internal management board and be a senior vice president.

Mr Yansouni, 47, is switching from the position of Unisys corporate vice president and vice president, products and systems. He succeeds Mr Paul Ely, executive vice president of Unisys, who is leaving for health reasons.

★ ★ ★

USAIR Group announced that executive vice presidents Mr Randall Malin and Mr Seth Schofield were elected to the newly created posts of vice chairmen of its board and the board of the USAir airline unit.

The elections, which increase the size of the two USAir boards from 13 to 15 members, follow the incorporation of Piedmont Airlines and PSA into USAir.

Mr Malin will continue to serve USAir Group and the airline unit as executive vice president for marketing and Mr Schofield will do the same as executive vice president for operations.

★ ★ ★

INCO, the Canada-based nickel and copper producer, has appointed Mr Donald Small, formerly director, corporate finance, as assistant treasurer.

Mr Small's new responsibilities include managing Inco's global investment banking relationships, and providing financial analysis and support for the company's strategic planning, acquisition and divestiture activities.

★ ★ ★

BELL & Howell, the US-based information technology and educational publishing concern taken over last year through a leveraged buyout led by Mr Robert Bass, the prominent Texas investor, named Mr Richard Austin and Mr Rob Stirling corporate vice presidents.

They will retain their present management positions in Europe. Mr Austin is managing director of the group's information management division in Europe, while Mr Stirling is managing director of the European mail handling division based in West Germany.

★ ★ ★

TURNER Broadcasting System, the highly leveraged Atlanta television production company, announced the resignation of Mr Robert Wussler as senior executive vice president.

He is joining Communications Satellite, of the US, as president and chief executive of Comsat Video Enterprises.

PolyGram German division president

POLYGRAM International, a leading world record group 90 per cent-owned by Philips, the Dutch electronics giant, announced the appointment from October 1 of Mr Wolf Gramatke as president of PolyGram GmbH, its West German unit which has a 22 per cent share of the country's recorded music market.

Mr Gramatke, currently senior vice president of RCA/Columbia Pictures International Video, will replace Mr Ben Bunders, who has decided to leave PolyGram to pursue outside interests.

Philips earlier this month said that a minority stake in *PolyGram International might* be floated on the stock exchange this year.

★ ★ ★

MORRISON Knudsen, the US engineering and construction *group which has returned to* profitability since shedding shipbuilding and real estate interests, has appointed Mr Frank Adams president and also to a newly created position of *chief operating officer.*

Mr William Agee remains chairman and chief executive officer but has relinquished the title of president. Mr Adams was executive vice president.

Mr Michael Shirley, 47, formerly vice president-administration, has become vice president-finance and treasurer. Mr Peter Ueberroth, the former baseball commissioner, was *elected to the board, raising* the number of directors to 12.

★ ★ ★

GOODYEAR TIRE and Rubber, of the US, the world's largest rubber manufacturer, announced moves to reinforce its American tyre division organisational changes begun last year.

Mr Louis DiPasqua has been elected as vice president, replacement *tyre sales* and marketing.

He was made chairman and managing director of Goodyear Great Britain in mid-1984, but returned to the US group's Kelly-Springfield Tire subsidiary in Cumberland, Maryland, last May, where he has since been serving as its president.

His successor at Kelly-Springfield is Mr John Fielder, formerly vice president, business development and strategic planning. Mr James DeVoe, vice president, tyre marketing, becomes vice president of worldwide advertising.

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AUTHORISED UNIT TRUSTS

Midland Personal Pension Unit Trust*

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
British	6	63.54	64.22	68.32	+0.05	2.25
European Growth	6	63.41	63.51	67.56	+0.59	0.54
Gilt & Fixed	6	51.47	51.47	54.71	-0.15	9.26
Income	6	58.90	59.77	63.53	+0.02	5.30
Japan Growth	6	59.32	59.68	63.49	-0.07	0.00
Managed	6	59.01	59.80	63.62	+0.04	1.75
Money Market	6	53.87	53.87	57.10	+0.01	9.86
North American	6	60.82	61.90	65.85	-0.07	0.22

Midland FSAVC Unit Trust*

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
British	6	59.92	60.56	64.43	+0.05	2.25
European Growth	6	61.84	61.94	65.89	+0.57	0.54
Gilt & Fixed Int	6	50.62	50.62	53.81	-0.15	9.11
Income	6	59.85	60.71	54.59	+0.03	5.30
Japan Growth	6	61.60	61.96	65.92	-0.07	0.00
Managed	6	58.09	58.87	62.63	+0.05	1.74
Money Market	6	51.89	51.89	55.00	+0.01	9.88
North American	6	61.28	62.31	66.29	-0.07	0.22

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA. 01-588 3963

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	126.6	128.1	136.2	+0.6	2.55
PM Income & Gth	5	106.1	107.0	113.8	+0.4	3.84
PM Nth Amer Gth	5	59.43	59.43	63.22	-0.49	1.19
PM European Gth	5	60.84	61.08	64.97	-0.2	0.48
PM Japan Gth	5	82.81	82.93	88.22	-0.57	0.28
PM Overseas Gth	5	56.65	56.65	60.26	-0.31	0.45

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal at a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا من الأصل

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	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD				01-405 8331		
Capital & Equity	5	64.22	67.41	71.70	+0.12	6.53
European	5	75.18	75.38	80.19	+0.45	0.09
Far Eastern	5	64.88	66.87	71.13	-0.17	0.62
Growth Inc	0	89.49	92.79	98.71	-0.28	1.39
Growth Acc	5	89.49	92.79	98.71	-0.28	1.39
Income Inc	5	84.60	87.00	92.55	+0.1	4.39
Income Acc	5	84.79	87.10	92.65	+0.09	4.39
Property Share	5	56.03	56.03	59.72	+0.1	0.99
Smaller Co's	5	59.27	59.85	63.84	-0.15	1.51
Nth American	5	68.11	68.11	72.84	....	1.91
International	5	49.78	49.78	53.23	-0.1	1.40
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY				01-588 0592		
Intl Growth	5	114.39	114.39	119.58	-1.00	0.93
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bridge, Huddersfield				0484 602290		
Yorkshire General	5¼	65.30	67.71	72.03	+0.21	2.52
YUTM UK Eq Inc Tst	5¼	62.62	64.94	69.08	+0.21	3.72
YUTM Intl Gwth Tst	5¼	53.42	53.42	57.00	-0.12	0.77

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd					
Int'l Expt June 7	1485.3	503.8	.....		–
Cent. Bd. of Fin. of Church of England‡‡					
2 Fore Street, London EC2Y 5AQ			01-588 1815		
Inv Fund July 31		538.96	.....		4.55
Fxd Int Sec July 31		142.05	.....		10.07
Deposit July 31		100.00	.....		13.25
Charinco/Charishare‡‡ (1000)F					
33 King William Street, EC4R 9AS			01-280 2800		
C'inco Inc Aug 16	169.4	173.7	+0.50		10.29
C'inco Acc Aug 16	695.0	712.4	+1.40		10.29
C'share Inc Aug 16	162.0	168.0	-1.00		3.97
C'share Acc Aug 16	178.0	184.8	-0.90		3.97
Charities Official Invest. Fund‡‡					
2 Fore Street, London EC2Y 5AQ			01-588 1815		
Income July 31		516.04	.....		4.79
Accum July 31		1714.96	.....		–
Edinburgh Fund Mngrs PLC					

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or –	Yield Gross
American	131.0	138.0	+1.0	–
Building Soc Fd	173 0	183 0	----	–
Balanced	292.0	308.0	----	–
European	188 0	198 0	+2.0	–
GT Managed	188.0	198.0	----	–
Gartmore Mngd.	127 0	134 0	----	–
German	134 8	142 8	----	–
Gilt	183 0	193.0	–1.0	–
Global	50 8	53 0	----	–
High Inc.	121.0	128.0	----	–
International Equity	203 8	214 0	+1 0	–
Japan	264.0	278.0	----	–
Managed	64 0	68 8	----	–
Property	288 8	304 0	----	–
R W Imperial Gold	152.0	160 0	----	–
UK Equity	370.0	390.0	–1.0	–
Pension Funds				
American	157 0	166 0	----	–
Building Soc. Fd.	174.0	184.0	----	–
Balanced	225.0	237 0	----	–
European	187 8	197 8	----	–
German	117 8	124 8	----	–
Gilt	158 8	167.0	----	–
International Equity	148.0	156.0	----	–
Japan	146 0	154.0	----	–
Managed	68 0	72.0	----	–
Property	221.0	233 0	----	–
UK Equity	339 0	357.0	----	–

Professional Life Assurance Co Ltd

Frobisher Hse, Nelson Gate, Southampton 0703 232323

	Bid Price	Offer Price	+ or –	Yield Gross
Pensions Managed Fund	96 46	101 96	+0.05	–
Pensions Cash Fund	79.15	83.31	+0.03	–

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or –	Yield Gross
Life Funds				
Balanced Gwth Mngd.	621 9	655.4	+1.4	–
Adventurous Mngd.	134.9	142.2	+0.4	–
Secure Mngd	112.6	118 F	+0.1	–
Cash Fd	236.5	249.3	----	–
Property Fund	291.1	309.F	----	–
Equity Fund	705.4	743.4	+1 8	–
Fxd Int Fund	304 2	320 6	+0.5	–
International	318.5	338 9	+1.0	–

Prudential Holborn Pensions Ltd

30 Old Burlington St, London W1X 1LB 01-439 3134

	Bid Price	Offer Price	+ or –	Yield Gross
Managed	596.5	627.9	+0.6	–
Equity	870.2	916.1	–0.7	–
Global Equity	256.9	270.5	+1.2	–
Fixed Interest	416.2	438.2	–1.8	–
Property	401.7	422.9	+0.1	–
Cash	159.9	168.4	+0.1	–
Index Linked Gilt	205.5	216.4	–0.2	–
Guaranteed	12.50		----	–
International Money	205.8	216 7	–0.2	–
North American	81.9	86.3	–0.0	–
Japanese	151.0	159.9	–1.3	–
European	103.0	108.5	+0.4	–
Special Situations	124 5	131.1	+0.2	–
Communications	111.2	117.1	–0.5	–
Smaller Companies	116 6	122 8	+0.2	–
International Small Cos.	141.0	149.3	–0.4	–

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 01-548 3281

	Bid Price	Offer Price	+ or –	Yield Gross
Discretionary Aug 16	£165 09	170.86	----	–
Equity Aug 16	£181.59	188.74	----	–
International Aug 16	£28 05	28.97	----	–
Intl Bond Aug 16	£12.77	12 94	----	–
Fixed Int Aug 16	£74 42	75.41	----	–
Index Linked Aug 16	£63 69	64 48	----	–
Property Aug 16	£113 78	120.47	----	–
Cash Aug 16	£21.3552	21.3552	----	–
Pru-Linked Retirement Plan				
Managed Aug 22	403.5	420.9	+1.1	–
Cash Aug 22	201.6	209.4	+0.5	–
Prudential Pensions Investment Account				
Pens Mngd Aug 23	162.0	174.1	–2.2	–
Pens UK Eq Aug 23	315.8	340 7	–8.1	–
Pens Intl Aug 23	193.7	208.3	–4.2	–
Pens Fixed Aug 23	172.7	182.3	+0.2	–
Pens Index Lr Aug 23	163.6	172 8	+0.1	–
Pens Cash Aug 23	131.2	138.2	+0.3	–

Regency Life Assurance Co Ltd

Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or –	Yield Gross
Aggressive Ptflio Fd	124.6	132.1	+0.3	–
Balanced Ptflio Fd	326.9	344 1	+0.7	–
Cautious Ptflio Fd	124.5	131.8	+0.2	–
Elite Fund	119 1	125 3	+0.6	–
European Fund	91 3	96.8	----	–
Far East Fund	110.7	116.5	–0.1	–
Fixed Interest Fund	245.2	258 0	----	–
International Fund	287.1	302.2	+0 6	–

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Red. yield
Exch 11pc 1989	13.07
Treas 5pc 1986-89	10.35
Exch 10¼pcCv '89	13.09
Treas 13pc 1990‡‡	12.19
Treas 2pc IL '90(84.6)	9.98
Exch 11pc 1990‡‡	12.33
Exch. 12½pc 1990	12.77
Treas. 3pc 1990	9.36
Treas 8¼pc 1987-90‡‡	11.37
Treas. 8pc Cv 1990 ‡‡	11.07
Treas 10pcCv 1990	11.96
Exch 2½pc 1990	7.85
Treas 11¾pc 1991	11.69
Funding 5¾pc '87-91‡‡	10.08
Treas. 3pc 1991	8.92
Treas 10pc Cv '91 ‡‡	11.38
Exch. 11pc 1991	11.20
Treas. 8pc 1991	11.14
Treas 12¾pc 1992‡‡	10.79
Treas 10pc 1992	10.87
Treas. 8pc 1992 ‡‡	10.89
Treas 10½pc Cv 1992‡‡	10.81
Treas. 3pc 1992	8.94
Exch. 12¼pc '92	10.80
Exch 13½pc 1992	10.73
Treas 8¾pc 1993	10.58
Treas 10pc 1993‡‡	10.45
Treas 12½pc 1993‡‡	10.49

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS – Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
36¾	24¼	Gen. Elect. 63c	35½	–⅛	$1.64	–	2.9
568p	460p	♦General Host Corp $1	528p	–37	30c	–	3.6
39⅛	18¼	Gillette $1	27	–⅛	96c	–	2.2
987p	601p	Gt American Bank Bk $1	810p	–20	60c	–	4.7
23⅝	16	Greyhound $1½	22⅛	–	$1.32	–	3.8
14¼	847p	Hasbro Inc 50c	13⅝	+⅛	16c	–	0.7
56¼	32¾	Honeywell $1½	55¼xd	+¼	$2.10	–	2.4
21⅞	15¼	Houston Inds.	20¾	–⅛	$2.96	–	9.0
74⅝	63	IBM Corpn $1¼	71xd	–⅛	$4.84	–	4.3
60p	45p	♦Image Storage/R.Sys 1c	58p	+3	–		–
30⅝	18¼	Ingersoll-Rand $2	29¼xd	–⅛	$1.20	–	2.6
33	12½	Lockheed Crpn. $1	31xd	.....	$1.80	–	3.7
22⅝	13	Lone Star Inds $1	21¾	+⅛	$1.90	–	5.5
26	17½	Louisiana Land 15c	24⅞xd	+⅛	$1.00	–	2.5
10½	11½	Lowe's 50c	18½	.....	48c	–	1.7
26	13	Manuf. Hanover $1	25⅝	–⅛	$3.28	–	8.1
22⅝	13	Merrill Lynch $1	21	–⅛	$1.00	–	3.0
2352p	1910p	Mplex Inc.	2347p	+49	3.2c	–	–
27	18¼	Morgan (JP) $2½	25xd	–⅛	$1.66	–	4.1
101	98	Morris (Philip)	98	+½	$4.50	–	2.9
54½	36⅛	NYNEX $1	49½	–½	$4.36	–	5.6
24⅝	18¼	PHH Corp.	23¾	–⅛	$1.12	–	3.0
259p	180p	♦Pacific Agr.	180p	.....	–		–
27¼	19	Pacificorp $3¼	26xd	–⅛	$2.76	–	6.4
28½	16⅞	Pacific Telesis 10c	28	–⅛	$1.88	–	4.2
12⅛	15¼	Pall Corp 25c	20½	.....	48c	–	1.5
53¼	39	Pennzoil 83 1/3c	51⅝xd	–⅛	$3.00	–	3.7
42¼	28⅝	Quaker Oats $5	39⅞	.....	$1.20	–	1.9
32¼	23½	Rep NY Corpn $5	30xd	–⅛	$1.28	–	2.6
15⅛	11	Rockwell Intl. $1	14xd	.....	78c	–	3.5
35½	21⅛	Southwestern Bell $1	33⅛	–⅛	$2.60	–	4.9
27	17	Sun Co. Inc. $1	23¼xd	–⅛	$1.80	–	4.9
30¼	22	TRW Inc. 62½c	29	–⅛	$1.72	–	3.6
12⅞	14⅛	TW Services $5	22½	–⅛	10c	–	0.3
38	26¾	Tenneco $5	36	–⅛	$3.04	–	3.2
35	28	Texaco $6.25	33⅛xd	–⅛	♦$3.00	–	3.7
28	21¼	Texas Instr. $1	24⅛xd	+½	72c	–	1.9
117	58⅞	Time Inc. $1	88	–⅛	$1.00	–	0.7
18	13	TRINOVA Corp.	18¼xd	.....	s68c	–	2.4
24⅛	16	USX $1	21¼xd	–⅛	$1.40	–	4.2
253p	126p	♦Unilab	252p	.....	–		–
35	22¼	Utd. Technologies	53⅞xd	–⅛	$1.60	–	3.0
158p	128p	♦Unitech Inc.	149p	.....	–		–
46½	31½	US West	43⅛	–⅛	$3.76	–	5.4
37¼	22⅝	Waste Management $1	37⅞xd	+⅛	48c	–	0.8
20¼	13½	Whirlpool $1	18⅞	–⅛	$1.10	–	3.7
24¼	16	Whitman Corp.	21	.....	$1.02	–	3.1
41¼	28¼	♦Woolworth $3½	39	–⅛	$1.88	–	3.0

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
168p	129p	♦ABM Gold Corp	161p	+5	–	–	–
25½p	4½p	♦Abbot Energy Corp	25p	.....	–	–	–
16½	902p	♦Amer. Barrick Res	16½	.....	–	–	–
28p	10½p	♦Armeno	16p	–1	–	–	–
344p	94p	♦Asiamerica Hldgs	295p	–23	–	–	–
33¼p	8½p	♦Augmitto Explo	16p	.....	–	–	–
18¼	12¾	Bk. Montreal	18	–⅛	$2.12	–	6.0
10¼	653p	Bk. Nova Scot.	958p	–20	92c	–	4.9
821p	599p	♦BC Gas $1	798p	–14	60c	–	3.9
22¼	17	BCE	22	–⅛	$2.44	–	5.7
848p	570p	♦Bow Valley	725p	–18	♦40c	–	2.8
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1989 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
59	29	Sleepy Kids 5p.....γ	51	.....	–	–	–	–
•17½	5½	Staks Hldgs. 5p....γ	7½	.....	–	–	–	13.0
*3¼	1¾	Swanyard Studios 1p γ	2¼	.....	–	–	–	♦
11	6½	Sycamore Connections 2½p γ	7	+½	–	–	–	9.2
44	37	Tavern Leis. 20p....γ	44	+1	–	–	–	–
115	28	Tomorrows Leisure 20p γ	96	.....	–	–	–	47.8
19	11	Tullow Oil 10p.....γ	17	-½	–	–	–	–
113	80	UPL Group 10p. ...γ	82	+5	2.75	1.9	4.5	15.5
150	135	Unit Group........γ	146	.....	5.0	3.3	4.6	8.3
100	66	Video Magic Leis. 1p γ	98	+5	W2.0	0.7	2.7	78.6
14	5	Vista Ents 5p.......γ	8½	-½	–	–	–	–
40	55	Vizcaya Hldgs 5p...γ	35	.....	–	–	–	–
43	25	Whitegate Leisure 20p γ	42½	.....	–	–	–	–
29½	10	Do. Wrrnts.........γ	28	.....	–	–	–	–
10¼	5	Wilton Group 1p...γ	7¼	-¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ≠ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- 0 Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

Stocks previously listed under Shipping are now included in the Transport sector, as are others heretofore dispersed under several other headings.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p....γ	97	+1
Craig & Rose £1..γ	830	.....
Finlay Pkg. 5p....γ	88	+2
Holt (Jos) 25p....γ	1343	.....

IRISH

Cap 8½% Ln. 1991..γ	£90½	.....
9pc Cap Ln. 1996.γ	£100½	.....
Fin 13% 97/02..γ	£120½	-1
Arnotts.............γ	420	.....
Carrol (P.J.).......γ	160	.....
Hall (R. & H.) ....γ	168	.....
Helton Hldgs.......γ	92	.....
Irish Ropes.........γ	215	+3
United Drug........γ	158	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons..........γ	38
Amstrad...............γ	11
BAT.....................γ	80
BOC Grp ....γ	42
BSR......................γ	6½
BTR......................γ	52
Barclays................γ	42
Blue Circle.............γ	24
Boots....................γ	25
Bowaters...............γ	44
Brit Aerospace........γ	52
British Steel...........γ	7½
Brit. Telecom..........γ	21
Burton Ord.............γ	18
Cadburys...............γ	46
Charter Cons..........γ	48
Comm Union..........γ	32
Courtaulds.............γ	30
FKI Babcock...........γ	14
FNFC ....γ	22
Gen Accident..........γ	85
GEC ....γ	20
Glaxo.....................γ	110
Grand Met..............γ	40
GUS 'A'..................γ	90
Guardian................γ	18
GKN......................γ	34
Hanson..................γ	16
Hawker Sidd...........γ	60
ICI.........................γ	100
Jaguar ....γ	28
Ladbroke ....γ	26
Legal & Gen............γ	26
Lex Service.............γ	33
Lloyds Bank............γ	29
Lucas Inds..............γ	58
Marks & Spencer.....γ	15
Midland Bk.............γ	30
Morgan Grenfell......γ	24
Nat West Bk............γ	25
P & O Dfd...............γ	59
Plessey...................γ	22
Polly Peck...............γ	26
Racal Elect ....γ	20
RHM......................γ	42
Rank Org Ord..........γ	80
Reed Intnl..............γ	34
STC.......................γ	32
Sears......................γ	10
Smithkline Bchm. A..γ	50
TI...........................γ	38
TSB........................γ	10
Tesco......................γ	14
Thorn EMI...............γ	58
Trust Houses...........γ	24
T&N.......................γ	10
Unilever.................γ	46
Vickers...................γ	18
Wellcome...............γ	42

Property	
Brit Land.................γ	32
Land Securities........γ	52
MEPC.....................γ	50
Randsworth.............γ	28

Oils	
Brit Petroleum.........γ	21
Burmah Oil..............γ	50
Calor ....γ	35
Charterhall..............γ	2½
Premier...................γ	9
Shell ....γ	32
Ultramar.................γ	26

Mines	
Cons Gold................γ	150
Lonrho....................γ	50
RTZ.........................γ	48

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound hit by trade figures

STERLING WEAKENED yesterday on the disappointing UK trade figures. The dollar gained ground, partly on a move of speculative money out of the pound and also on fears of rising world tension after a French airliner was hijacked. A peaceful end to the hijacking still left the dollar at or near the day's highs at the London close.

Reaction to the July UK trade figures was predictable. The pound immediately lost about 1 cent and 2 pfennigs as the current account deficit widened to £2.06bn, from a revised £1.52bn in June. It rallied after Bank of England intervention, but there was no discounting the fact that the trade figures were very poor.

The news was particularly disappointing following recent signs of slowdown in the economy. An increase of 4 per cent in imports of consumer goods other than cars, cast doubt on the view that the consumer boom is over. Another bad feature data was a fall in imports of capital goods, implying that the deficit could not be blamed on investment by industry on new plant. Dealers said it was difficult to estimate the impact of last month's strike at some UK docks and whether this had more effect on exports than imports.

The pound was bid up in early London trading, with several large London banks reporting a queue of buyers for sterling, on speculation that the trade figures would be good. Dealers said there was every sign that buying would have increased if the pound had consolidated above $1.5900, with holders of long positions willing to squeeze the market higher. Many of these positions had been built up from the beginning of the week, when buying orders were placed for sterling out of the Middle East.

The pound fell in two stages yesterday, firstly on publication of the trade figures and, secondly, when New York opened. This suggested that US traders were also generally long of sterling.

Sterling was trading around $1.5880 ahead of the trade figures, falling to $1.5780 on the news - where the Bank of England was detected in the market - and to a low of $1.5680 in the afternoon. Fear of further intervention helped the pound rally, but it still finished 1.40 cents lower on the day at $1.5705.

The pound rose to DM3.0850 in the morning, and then touched a low of DM3.0575, but recovered some of this lost ground to close at DM3.0725, compared with DM3.0775 on Tuesday. In terms of other major currencies sterling fell to Y225.00 from Y225.75; to SFr2.6500 from SFr2.6525 and to FFr10.3625 from FFr10.3825. According to the Bank of England, sterling's index fell 0.4 to 91.2.

Money moved into the dollar as traders cut long sterling positions. Apart from the hijacking there was no other news to support the US currency, but underlying sentiment remained good. The dollar rose to DM1.9565 from DM1.9415; to Y143.20 from Y142.55; to SFr1.6875 from SFr1.6735; and to FFr6.5975 from FFr6.5525. Its index was unchanged at 71.3.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Aug.23	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3967	+2.21	+1.04	±1.5424
Danish Krone	7.85212	8.06061	+2.66	+1.49	±1.6419
German D-Mark	2.05853	2.07542	+0.82	-0.35	±1.1019
French Franc	6.90403	7.00556	+1.47	+0.30	±1.3719
Dutch Guilder	2.31943	2.33988	+0.88	-0.29	±1.5019
Irish Punt	0.768411	0.778332	+1.29	+0.12	±1.6689
Italian Lira	1483.58	1489.01	+0.37	-0.21	±4.0815
Spanish Peseta	133.804	129.934	-2.89	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Aug.23	Latest	Previous Close
£ Spot	1.5715-1.5725	1.5890-1.5900
1 month	0.63-0.62pm	0.69-0.68pm
3 months	3.62-3.57pm	1.86-1.81pm
12 months	6.28-6.18pm	6.15-6.00pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). *Rates are for Aug.22

OTHER CURRENCIES

POUND SPOT- FORWARD AGAINST THE POUND

Aug.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5680-1.5910	1.5700-1.5710	0.67-0.64cpm	5.00	1.90-1.85pm	4.78

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.25-64.35. Six-month forward dollar 3.64-3.59cpm. 12 month 6.20-6.10cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Aug.23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5680-1.5910	1.5700-1.5710	0.67-0.64cpm	5.00	1.90-1.85pm	4.78

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 40.90-41.00.

EURO-CURRENCY INTEREST RATES

Aug.23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year

Long term Eurodollars: two years 9¼-8⅞ per cent; three years 9¼-9 per cent; four years 9¼-9 per cent; five years 9¼-9¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10; Lira per 1,000; Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling prices depressed

STERLING BASED prices lost ground in Liffe trading yesterday as poor UK trade figures put paid to any chance of an early reduction in interest rates.

Three-month sterling for December delivery touched a low of 86.59 before finishing at 86.66, down from 86.87 on Tuesday. Early trading saw initial sterling strength push the price up to a high of 86.97, but news of the deficit, the second worst on record, quickly reversed the trend. Overall trading volume was brisk, with over 40,000 lots changing hands.

Gilt futures reacted much the same way to the fall in exports and rise in imports; the September price slipped to 96-01 from 96-29 as buyers stayed away. Suggestions that the strike by some dock workers had distorted the figures provided scant comfort.

US Treasury bond futures finished down from Tuesday's close but above the day's lows. Trading was influenced mainly by the current string of Treasury refunding auctions where fears of over supply kept values depressed. The September price finished at 96-05 up from a low of 95-28 but down from 96-14 previously.

West German Government bonds finished higher after a weak start. News that the Bundesbank will not hold a news conference after today's Bundesbank meeting helped to dispel fears of higher rates, and bond futures rose accordingly.

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
93	3-02	3-37	0-00	0-27
94	2-02	2-50	0-00	0-40
95	1-02	2-05	0-00	0-59
96	0-02	1-32	0-00	1-22
97	0-00	1-02	0-62	1-56
98	0-00	0-46	1-62	2-36
99	0-00	0-30	2-62	3-20

Estimated volume total, Calls 2338 Puts 1817
Previous day's open int. Calls 15989 Puts 26727

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
93	3-56	4-23	0-46	1-21
94	3-08	3-46	0-62	1-44
95	2-29	3-08	1-19	2-06
96	1-58	2-39	1-48	2-37
97	1-26	2-10	2-16	3-08
98	1-00	1-48	2-54	3-46
99	0-47	1-27	3-37	4-25

Estimated volume total, Calls 65 Puts 27
Previous day's open int. Calls 823 Puts 1422

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9300	1.57	1.81	0.00	0.22
9350	1.07	1.44	0.00	0.35
9400	0.57	1.11	0.00	0.52
9450	0.07	0.83	0.00	0.74
9500	0.00	0.60	0.43	1.01
9550	0.00	0.40	0.93	1.31
9600	0.00	0.28	1.43	1.69

Estimated volume total, Calls 865 Puts 1751
Previous day's open int. Calls 15340 Puts 13682

LIFFE £/$ OPTIONS £25,000 (cents per £1)

LIFFE EURODOLLAR OPTIONS $1m points of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

LONDON (LIFFE)

CHICAGO

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls				Puts			
1.525	4.79	5.19	5.45	5.82	0.61	1.47	2.16	2.99
1.550	2.96	3.57	3.94	4.39	1.35	2.45	3.29	4.13
1.575	1.70	2.31	2.73	3.21	2.42	3.60	4.59	5.59
1.600	0.87	1.50	1.93	2.29	4.10	5.20	6.20	7.12
1.625	0.37	0.89	1.26	1.69	6.08	7.07	8.01	8.88
1.650	0.11	0.47	0.78	1.16	8.31	9.14	10.01	10.81

Previous day's open int: Calls 361,313 Puts 348,924 (All currencies)
Previous day's volume: Calls 14,579 Puts 16,586 (All currencies)

MONEY MARKETS

UK rates higher

INTEREST RATES were higher in London yesterday in reaction to the disappointing July trade figures. Three-month interbank money was offered at 14 per cent at one point before closing at 13 15/16-13 13/16, up from 13 7/8-13 3/4 on Tuesday.

The figures were seen as a setback to hopes of an early cut in bank base rates even though there were suggestions that the £2.06bn current account deficit may be revised to a smaller shortfall.

The Bank of England forecast a shortage of around £550m. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with repayment of late assistance draining £290m. There was also a rise in the note circulation of £145m and banks brought forward balances £130m below target.

The forecast was revised to a shortage of around £600m, and the Bank gave assistance of £305m through outright purchases of eligible bank bills in band 1 at 13 7/8 per cent. Further help in the afternoon came to £70m and comprised purchases of £1m of Treasury bills and £20m of eligible bank bills in band 1 and £49m of bills in band 2, all at 13 7/8 per cent. Late help came to £180m, making a total of £555m.

In Frankfurt, the Bundesbank allocated DM9.5bn at yesterday's 35-day sale and repurchase tender at rates between 6.70 and 6.95 per cent. Successful applicants received their allocations yesterday afternoon, replacing maturities of DM8.4bn. Short-term interest rates were slightly higher despite the increase in liquidity as investors have been influenced by suggestions that rates will be increased to stop the dollar rising further. However, the Bundesbank does not plan to hold a news conference after today's meeting of the central council, and it seems unlikely that there will be any change in rates.

In Brussels, the Belgian central bank added liquidity to the money market through BFr24.8bn of 14-day loans, which replaced BFr21.8bn of maturities.

In New York, the US Federal Reserve unexpectedly added temporary reserves to the banking system through $1.5bn of repurchase agreements. The extra liquidity was seen as an attempt to keep the overnight Federal funds closer to a 9 per cent target range. At the time of the intervention yesterday, Fed funds were trading at 9¾ per cent.

UK clearing bank base lending rate 14 per cent from May 24

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.23)	3 months US dollars		6 months US Dollars	
	bid 8¾	offer 9	bid 8¾	offer 9

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds (Lunchtime)

LONDON MONEY RATES

Aug.23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year

Treasury Bills (sell); one-month 13¾ per cent; three months 13¾ per cent. Bank Bills (sell); one-month 13⅞ per cent; three months 13⅞ per cent; Treasury Bills; Average tender rate of discount 13.3094 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1989. Agreed rates for period August 26, 1989 to September 25, 1989, Scheme I: 14.80 p.c., Schemes II & III: 15.23 p.c. Reference rate for period July 1 to July 31, 1989, Scheme IV&V: 13.996 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14½ from August 1, 1989: Bank Deposit Rates for sums at seven days notice 4½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988; Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm.Bk.N.East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc.	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst.	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
● Charterhouse Bank	14	McDonnell Douglas Bnk	14		
Citibank NA	14	Midland Bank	14		
City Merchants Bank	14	Mount Banking	14		
		Nat Bk. of Kuwait	14		

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EUROPEAN OPTIONS EXCHANGE

Series		Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	May 90 Vol	May 90 Last	Stock
Gold C	$ 380	155	6.10	7	13.50	-	-	$ 366.70

TOTAL VOLUME IN CONTRACTS : 58,561
A=Ask B=Bid C=Call P=Put

PUBLIC WORKS LOAN BOARD RATES

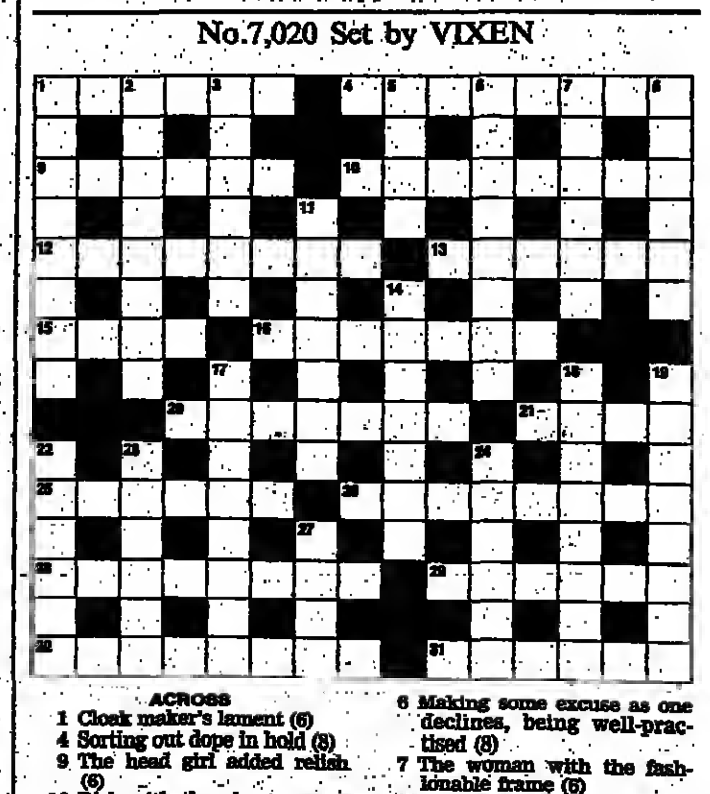
Effective August 23

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

JOTTER PAD

CROSSWORD

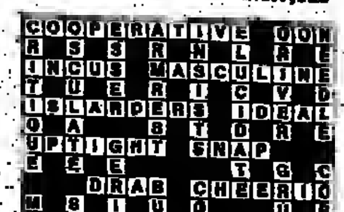
No.7,020 Set by VIXEN



ACROSS
1 Cloak maker's lament (6)
4 Sorting out dope in hold (8)
9 The head girl added relish (6)
10 Risk with the aim to cause outrage (8)
12 Playing a bad role may be appealing (8)
13 It is seen in the staff showing courtesy (6)
15 Retrospective story told in Israel (4)
16 Pick up about a hundred — extra, that is (7)
20 Stock book (7)
21 Just passable (4)
25 The appearance of coppers in a group (6)
26 Drinks will be provided for men on the board (8)
28 Laird can stand for chief (8)
29 Unequivocal order (6)
30 "To the public good private — must yield." (Milton) (8)
31 Remove from the shade — let everyone see it (6)

DOWN
1 They authorise a person to take fruit (8)
2 Causing an upset possibly in a lot of races (8)
3 Arrears of work appear general on the course (6)
5 Sovereign and realm (4)
6 Making some excuse as one declines, being well-practised (8)
7 The woman with the fashionable frame (6)
8 There's a stone of fish to catch (6)
11 The person enjoying a peaceful retirement (7)
14 Turn green after study (7)
17 Quietly receive change for note (8)
18 Realise water is material (8)
19 A young French worker greets it differently (8)
22 Man cutting a fine figure in uniform (6)
23 Goes easy on husbands (6)
24 The cleaner turned up some little pests (6)
27 Calculated project (4)

Solution to Puzzle No.7,019



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WORLD STOCK MARKETS

INDICES

NEW YORK DOW JONES

	Aug 22	Aug 21	Aug 18	Aug 17	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2650.99	2647.00	2687.97	2679.83	2712.63 (10/8)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	93.04	93.10	92.99	93.11	94.15 (2/8)	87.35 (23/3)	-	-
Transport	1433.50	1438.12	1442.39	1428.34	1442.39 (18/8)	959.95 (3/1)	1442.39 (18/8/89)	12.32 (8/7/32)
Utilities	213.34	213.91	216.93	216.55	221.64 (5/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2659.71 (2693.29) Low 2619.58 (2640.74)

STANDARD AND POOR'S	Aug 22	Aug 21	Aug 18	Aug 17	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	341.19	340.67	346.03	344.45	349.41 (7/8)	275.31 (3/1)	349.41 (7/8/89)	4.40 (1/6/32)
Industrials	390.50	389.55	395.84	394.27	399.68 (8/8)	318.66 (3/1)	399.68 (8/8/89)	3.62 (21/6/32)
Financial	32.59	32.61	33.12	33.00	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	190.11	189.97	192.64	191.95	194.23 (8/8)	154.98 (3/1)	194.23 (8/8/89)	4.46 (25/4/42)
Amex Mkt. Value	375.86	376.58	379.18	378.34	382.24 (10/8)	305.24 (3/1)	382.24 (10/8/89)	29.31 (9/12/72)
NASDAQ Composite	458.36	458.33	461.97	460.83	463.55 (10/8)	378.56 (3/1)	463.55 (10/8/89)	54.87 (31/10/72)

	Aug 18	Aug 11	Aug 4	year ago (approx.)
Dow Industrial Div. Yield	3.44	3.43	3.41	3.79

	Aug 16	Aug 9	Aug 2	year ago (approx.)
S & P (industrial) div. yield	2.87	2.86	3.28	3.29
S & P Indl. P/E ratio	14.44	14.49	14.43	13.57

TRADING ACTIVITY †Volume Millions

	Aug 22	Aug 21	Aug 18
New York	143.389	136.226	167.144
Amex	[illegible]	[illegible]	[illegible]
OTC	[illegible]	[illegible]	[illegible]

NEW YORK	Aug 22	Aug 21	Aug 18
Issues Traded	1,989	1,958	1,968
Rises	635	371	766
Falls	823	1,164	640
Unchanged	[illegible]	[illegible]	562
New Highs	[illegible]	[illegible]	53
New Lows	[illegible]	[illegible]	16

CANADA

[illegible]

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

NEW YORK ACTIVE STOCKS

[illegible]

	Aug. 23	Aug 22	Aug. 21	Aug. 18	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1738.0	1724.6	1722.5	1717.0	1738.0 (23/8)	1412.9 (7/4)
All Mining (1/1/80)	830.4	816.3	813.2	811.4	830.4 (23/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	407.18	401.51	397.51	396.04	407.18 (23/8)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6423.19	6470.19	6483.89	6433.97	6483.89 (21/8)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	341.76	343.30	342.20	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	785.0	783.4	779.1	779.2	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	509.7	509.7	506.3	508.2	509.8 (16/8)	417.9 (4/1)
Ind. Tendance (30/12/88)	121.0	120.6	121.3	121.3	122.6 (17/8)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	658.29	659.71	658.13	650.34	664.22 (10/8)	535.78 (27/2)
Commerzbank (1/12/53)	1969.8	1974.4	1970.0	1945.2	1990.1 (10/8)	1595.7 (27/2)
DAX (30/12/87)	1586.48	1600.62	1603.01	1575.77	1609.93 (10/8)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2521.39	2543.56	2528.75	2573.16	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	718.29	721.97	720.41	715.29	721.97 (22/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34893.28	35114.35	35140.83	35063.1	35140.83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2644.02	2653.45	2659.08	2652.50	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Tl.Rtn.Gen.(End 1983)	261.2	262.5	264.7	264.2	266.2 (17/8)	208.3 (3/1)
CBS All Shr (End 1983)	203.0	204.0	205.9	205.5	207.0 (17/8)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	659.98	655.90	655.41	659.43	668.90 (14/7)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1376.74	1370.86	1387.01	1381.49	1387.01 (21/8)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1650.0 ♦	1643.0	1664.0	1660.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2832.0 ♦	2828.0	2824.0	2812.0	2832.0 (23/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	315.76	315.81	314.74	313.18	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4441.4	4442.7	4544.0	4595.2	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	815.3	811.2	811.4	810.3	821.7 (9/8)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	535.5	536.9	538.2	551.2 (3/8)	487.6 (13/6)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX - 1,000 JSE Gold - 255.7 JSE Industrials - 264.3 and Australia. All Ordinary and Mining - 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Wednesday August 23 1989

[illegible]

3pm prices August 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
33⅞	51¼	AAR	.44	1.3	21	573	32¼	32¼	28⅞	+ ⅛
10⅛	8⅛	ACM s	1.01	11.		140	9⅛	9¼	9⅛	
11⅝	18¼	ACMIn	1.26a	11.		403	11½	11⅜	11¼	– ⅛
10⅞	8½	ACM M	n1.01	11.		223	9¼	9⅛	9¼	+ ⅛
11½	16	ACM Sc	1.26	11.		928	11½	11⅛	11⅜	
9⅞	8⅛	ACMSp	1.01	11.		345	9¼	9⅛	9⅛	
18	10⅞	AL Lab	.12	.8	18	270	14⅞	14⅝	14⅞	– ⅛
4⅝	3⅛	AMCA	.12a	3.2	25	14	3⅞	3¾	3¾	– ⅛
8¼	4½	AM Intl				108	5½	5⅜	5½	
28½	29⅞	AM In pf	2	9.2		54	21⅞	21⅝	21⅞	+ ⅛
70¼	42⅞	AMR			8	3803	78¼	70⅛	16⅞	+ ¼
21	25	ANR pf	2.67	11.		40	25⅜	25⅛	25⅛	+ ¼
7⅞	3⅞	ARX				114	3⅞	3¾	3⅞	+ ¼
44¼	35½	ASA	3a	7.0		375	43½	42⅞	43	– ⅝
22⅛	15¼	AVX	.24	1.2	8	122	20	10¾	19⅞	
66	44⅛	AbtLab	1.40	2.2	17	2319	63	62	62⅝	– ⅛
18¼	13⅜	Abitibi g	1			27	15¼	15	16	
13	7½	AcmeC	.40	3.5		67	11⅛	11⅛	11⅛	+ ¼
9½	5⅞	AcmeE	.32	3.3	11	110	9¼	9½	9¼	+ ⅛
34⅞	39¼	Acuan			24	113	33	39¾	33	+ ¼
16⅞	14¼	AdaEx	1.92e	11.		103	16¼	16	16⅛	+ ⅛
11⅞	8½	Adobe				2	11	10⅞	11	
19⅜	10½	Adob pf	1.84	9.6		28	18⅞	18⅞	18¼	+ ⅛
21⅝	19⅞	Adob pf	2.40	11.		49	21¼	21⅛	21¼	+ ⅛
11⅞	7⅛	AMD				414	8⅜	8¼	8¼	
35	28¾	AMD pf	3	9.7		2	31	31	31	– ⅛
18⅛	6⅞	Advest	.15	1.3	18	55	9⅛	8⅞	8⅛	+ ¼
58⅛	40	AetnLf	5.76	4.8	9	1559	27⅛	57⅛	57⅛	+ ½
14	12¼	AflPb				789	13¼	13⅛	18¼	+ ⅛
23¼	14⅞	Ahmans	.88	4.1	18	1885	22	21½	21⅛	– ⅛
4⅝	2⅛	Aileen				8	2⅜	2⅜	2⅜	
48⅜	37⅞	AirPrd	1.32	8.8	12	827	46⅞	46⅝	46⅞	+ ½
35	15¼	AirbFrt	.60	1.8	22	185	34¼	34	34¼	+ ¼
25⅛	13⅞	Airgas			14	21	23⅛	23⅛	23⅛	
20½	17⅞	Airlease	2.40	12.	9	44	20⅛	20	20	– ⅛
10	6½	AlaP	dpf.87	6.6		1	9⅞	9⅞	9⅞	+ ⅛
30½	16⅜	AlskAir	.20	.7	16	269	28⅛	27¾	28⅛	

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Continued on Page 37

NYSE COMPOSITE PRICES

Continued from previous Page

[illegible]

– X–Y–Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	51¾	Xerox	2	45	35	1485	66⅝	66¼	66½	+ ¾
44¼	28⅛	XTRA	.72	2.3	10	22	31⅞	31⅝	22⅝	− ⅜
30	24½	XTRA pf1.94		7.5		4	22⅞	22⅞	25⅞	+ ⅛
4¼	2	Zapata				680	2⅝	2⅛	2½	+ ⅛
15½	10⅞	Zayrex	.40	3.3	128	2	11½	11½	11½	
22⅞	16¼	ZenithE				541	16⅞	16⅞	16⅞	+ ⅛
10¼	6⅞	Zeninc	1.26	14.		67	9¼	9¼	9¼	
2⅛	1⅞	vjZenLb				291	1½	1⅞	1½	+ ⅛
26¼	15	ZenNtl	.84	4.4	9	35	19⅞	20¼	18¼	+ ¼
23⅞	14⅛	Zero	.50	2.3	16	240	21⅞	21⅞	21⅞	− ⅛
44¼	21⅛	Zurmin	.08	1.7	19	288	39¼	38	39¼	+ 1⅛
12	10	Zweig	1.08e	9.4		207	11⅞	11⅛	11⅞	
10⅛	6⅞	Zweig n	.96	10.		349	9⅞	9½	9¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 12½% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices August 23

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices August 23

[illegible]

Stock	Div.	Sales 100s	High	Low	Last	Chng
WeyI A	1.10	67	10	63½	63½	63½ + 1
Willam	1.40	8	622	50	46½	50 + ¼
WilmTr	1.24	13	209	44	43½	43½ − ¼
WiserO	.40	45	35	16¾	16¾	16⅞ + ⅛
WcJohn	.28	9	7	17½	17	17 − ½
WvEx h			1	7¼	7	7¼ − ¼
Worthg	.56	16	2825	u25½	25¼	18⅛ − ⅛
Wyman	.80	185	469	18½	18¼	15½
– X–Y–Z –						
XL Dta s		16	330	23¼	23	33¼ − ¼
YORKA			215	19	19½	10½
Xicor		9	1761	6	5¾	5¾ − ⅛
YelowF	.78	11	883	31⅛	21⅞	31⅛ − ¼
ZionUt	1.44		152	u20¼	23½	28¼ + 1⅛
Zycad			105	2⅛	2¾	2⅞

AMERICA

Dow recovery feeds on an upturn in bonds

Wall Street

AFTER an encouraging recovery from a loss of more than 20 points on Tuesday, the equity market seems to have regained a more positive outlook and registered modest gains at mid-session yesterday, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted 4.93 points higher at 2,655.92. Volume remained unimpressive with only 91m shares traded by early afternoon.

Other key indices on the American Stock Exchange and the Nasdaq over-the-counter market were also higher at midsession.

On Tuesday, the recovery from earlier lows came in spite of a fall in bond prices. The bond market yesterday provided a more favourable example, rising about ½ point in long-dated maturities at mid-session ahead of yesterday's five-year note auction.

The stock market followed price movements in the bond market very closely in the morning, reflecting the lack of any other news to influence trading. There was a risk, however, that if the results of the five-year bond auction proved disappointing, equities would move back on the defensive.

Activity on the New York Stock Exchange has slumped to sluggish, typical August levels this week and there appears to be no conviction on the buying or selling side. The rebound on Tuesday came on a combination of genuine bargain-hunting and stock index arbitrage.

The equity market was due for a bounce, technical analysts said. They pointed out that the Dow Jones Industrial Average had gained more than 270 points from the beginning of July to the peak above 2,700 in the middle of this month.

Since that high, the index has fallen by around one third. A one-third retracement, regarded as a healthy correction, took the Dow to around 2,625, the level where it began to recover on Tuesday.

It is beginning to look unlikely that the Dow will beat its August 25 1987 all-time high of 2,722.42 by tomorrow, the two-year anniversary.

One factor inhibiting progress in this market is the absence of many traders and investors on holiday.

Tesoro Petroleum added $1¼ to $10⅞ on news that Harken Energy had offered to buy the company for $11.75 a share and said it had the necessary financing.

On the over-the-counter market, Stratus Computer added $1¼ to $31⅞ on rumours that IBM might be interested in acquiring the company. IBM is Stratus's largest customer, accounting for about 30 per cent of revenue.

McGraw-Hill fell $1⅛ to $80⅜ and Armstrong World Industries dropped $⅞ to $45⅞ after Mr Dan Dorfman, an influential financial journalist whose comments often move stock prices, said that investors in these two rumoured takeover stocks could face "some nightmares."

Wang Laboratories B shares added $⅞ to $8⅞ as Mr Richard Miller, a former executive at General Electric, was named president and chief operating officer.

Canada

A HIGHER Wall Street and a steady US bond market helped edge Toronto stocks higher. The composite index gained 6.1 to 3941.5, and advances led declines by 216 to 204 on volume of 16m shares.

CAE Industries was an active industrial, gaining C$⅞ to C$14⅞ after news that it had won a six-year training systems contract from Nasa, the US space agency.

St Genevieve rose 10 cent to C$2, and Novagold rose 46 cents to C$1.65, while Nova Corp dropped C$⅛ to C$9⅞.

EUROPE

Talk of West German rate rise causes jitters

CONCERN over a possible rise in West German interest rates set the tone for an absorbing day in Europe. As one analyst commented: "The Germans can't allow the Deutsche Mark to weaken further, particularly against currencies like the lire," *writes Our Markets Staff.*

FRANKFURT was middling to weaker again, the DAX index easing 14.14 points to 1,586.48 on rumours that the Bundesbank would raise rates today. The FAZ index lost 1.42 to 656.29 and turnover was DM4.4bn.

The general mood was in conflict with good results from Veba, the energy, chemicals and oil company, and Preussag, the energy, commodity and trading group which reported net profits up by 19 and 42 per cent respectively. After rising DM2.80 in the first 10 minutes of trading, Veba ended DM1.30 down at DM347.20. Preussag added DM5.50 to DM291.50.

Frankfurt has seen a period of sectoral rotation, said one analyst, with the car manufacturers most recently in vogue. Profit-taking hit the sector yesterday as BMW fell DM12.50 to DM600.50 and Volkswagen DM6 to DM480.

Now, he said, there was a pause for consolidation while investors worked out what shares they would be able to hold into 1990. The choice was complicated by the prospect of a general election next year, and strife between the powerful IG Metall trade union and the Metal Employers Federation.

In retailing, the breakdown in co-operation talks between Ahold of the Netherlands and Asko left the latter's shares DM26.20 lower at DM893.

AMSTERDAM saw some heavy falls, led by a 19 per cent plunge in the trading and transport company Van Ommeren Ceteco following Tuesday's 22 per cent drop in first half earnings.

Nervousness about the dollar, Wall Street and a possible rise in German interest rates helped drive the CBS tendency index down 1.5 to 194.9 in fairly active turnover worth Fl 825m. The approaching elections on September 6 are also making investors cautious.

Van Ommeren was the most actively tradsd stock with 1.85m shares changed hands. It lost Fl 8.20 to Fl 34.40. Steel stock Hoogovens was badly hit by profit-taking, falling Fl 3.30 to Fl 110.90.

Insurers NatNed and Amev failed to excite the market with their first half figures and ended Fl 1.10 lower at Fl 70 and 70 cents down at Fl 57 respectively.

Against the trend, Fokker rose Fl 2 to Fl 48.20 after a newspaper article saying it was increasing production in the Netherlands and the US and was in talks about the sale of 400 aircraft.

Ahold, the retailer, rose 60 cents to Fl 140 after breaking off talks with Akzo, its West German counterpart, which has bought a 12 per cent stake in Ahold from SHV and a further 1 per cent or more on the market.

PARIS recovered ground on the last day of the monthly account, spurred by a firm start on Wall Street and hopes of a pick-up in the next account. The OMF 50 index rose 2.19 to 507.98 after falling 3.19 on Tuesday. Volume was thought to be a moderate FFr2bn.

Groupe Victoire, the star performer of Tuesday's session, fell back FFr100 to FFr1,850 on disappointment that a counter-bid from the chairman of Industrielle, its main shareholder, had not emerged against the hostile bid from Suez, down FFr8 at FFr363.

Hachette, the publisher, rose FFr18 to FFr470 after news that Montana Management, a Swiss-based company, had built up an 8.4 per cent stake.

Among active stocks, Eurotunnel fell FFr3 to FFr63 amid reports of disagreements over fresh financing for the Channel tunnel; and CGIP, a holding company, rose FFr19 to FFr1,490 on high turnover which included a large put-through of about 25,000 shares.

ZURICH, helped by easier interest rates, saw both domestic and foreign investors return after several days of consolidation. The Crédit Suisse index rose 5 to 675.2.

MILAN fell after four consecutive rises, the Comit index ending 3.88 lower at 718.29 as the profit-taking in bank shares on Tuesday made itself felt in the rest of the market.

Traders noted that the selling pressure was met with good buying interest. One analyst pointed out that the market was full of good technical news, like yesterday's stock buy-back proposals from IFI, the Agnelli family holding company. He added that Treasury policy had left a lot of liquidity in the bourse. However, he said, there was some worry over what the Germans might do on the monetary front.

MADRID scraped close to a year's high on the general index only to ease back on profit-taking and a sharp fall in Telefonica. The index closed just 0.05 lower at 315.76.

Telefonica lost 4 percentage points to 208.25 per cent of par. A weaker dollar, a share placing this week in New York, and the stock's outperformance in the past month were cited as reasons for the fall.

BRUSSELS declined, but some individual stocks gained on speculative buying. The cash index lost 47 to 6,423.19.

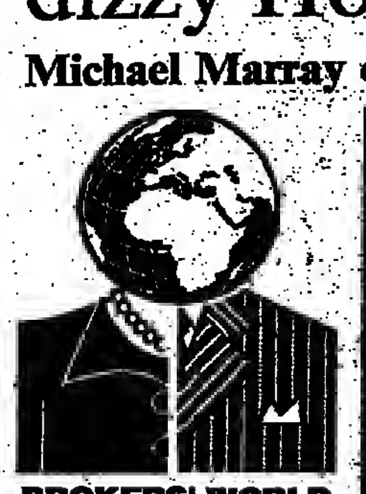
Raffinerie Tirlemontoise, the sugar refiner, shot up BFr180 to BFr2,810 on rumours that a deal had been struck to sell it to a foreign buyer.

SOUTH AFRICA

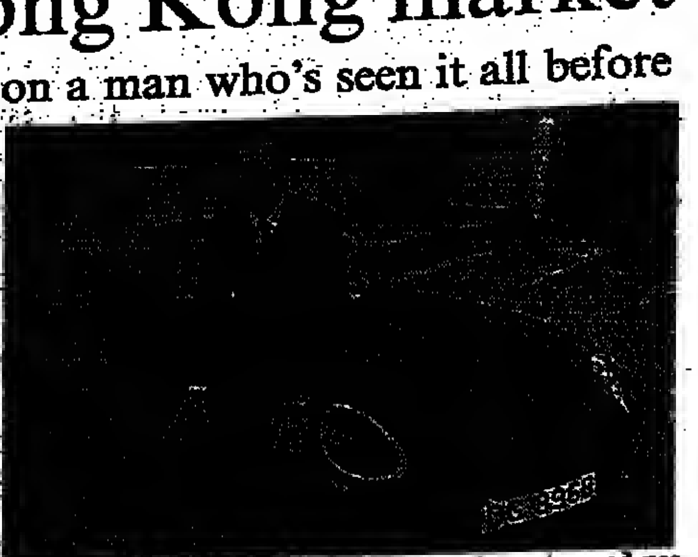
THE Johannesburg all-share index hit a record high amid demand for quality shares, which were in short supply.

Life in the fast lane of the dizzy Hong Kong market

Michael Marray on a man who's seen it all before



BROKERS' WORLD



Richard Witts: putting his racing experience to good use

AS a veteran of the Hong Kong stockbroking community, and current managing director of Schroder Securities, Mr Richard Witts has witnessed a good few booms and busts in his time, with the most recent downturn inspired by the crisis in China.

But having seen the Hang Seng index plummet from 1,774 to the low 600s between March and May 1973 he takes the ups and downs in his stride, and the recent plunge looks a mere hiccup in comparison.

Mr Witts arrived in Hong Kong from the UK in 1970, and later became chief executive of the old Hong Kong Stock Exchange at a time when the colony had four bourses – they were unified in 1986.

He has also made his mark on the local motor racing scene, organising the amateur Gentlemen Racers Club event which has become a popular fixture at the annual Macao Grand Prix.

Indeed, apart from the June chaos on the stock market he recently had to contend with a crash of a more personal nature, when he wrote off his TVR sports car during a motor racing event in Thailand.

Mr Witt's racing experience stands him in good stead for Hong Kong's roller-coaster market, where investors can come away with a few bumps and bruises as well as profits.

"In on Monday, out on Tuesday," is how he describes the attitude of the many retail investors who push the Hong Kong market to and fro. Like other international brokers, Schroder Securities concentrates on serving the big institutional investors, even if most also have a few private clients, who Mr Witts says are often "so big they would rank as institutions in other markets."

Sales to overseas clients are research driven, but locally the approach is less technical. "I can go several days and no one will mention charts or support levels," he notes, with the strategy being to swim with the tide.

A stock on a sudden steep climb is instinctively viewed with caution by European clients, "but to the local Chinese client it is the biggest buy signal of all."

These two separate forces must simultaneously be taken into consideration when making market forecasts, and each morning Mr Witts is at his desk by 7.30 am to sift through the newspapers, check out the latest rumours and catch up with overnight events in London and New York before the obligatory morning prayers session with sales staff and analysts – the dollar being the natural focus of worship.

From there it is a long day for the 38 Schroder staff, with morning trading from 10 am until 12.30 pm, and an afternoon session from 2.30 pm until 3.30 pm.

The afternoon trading session often sees a flurry of activity in the final minutes, by which time Mr Witts is fielding calls from London, where trading in a dozen blue chip Hong Kong stocks will soon begin.

Dealing with overseas clients can be a headache for Hong Kong brokers because of the unusually short settlement period, and getting the client or the custodian bank to release scrip or arrange payment by the next day is often impossible.

"There aren't many other places which have what is supposed to be 24-hour settlement," Mr Witts says. "It's a horrendous problem."

Awkward or not, overseas participation is vital to a market which is reckoned to need at least HK$1bn (US$128m) turnover a day to keep more than 600 brokerages in business, with the minimum commission only 0.25 per cent.

Reassuring overseas investors has been a central theme in a government-led revamp of local markets during the past 18 months, with a new watchdog body, fresh management at the stock and futures exchanges and more stringent insider dealing laws in the pipeline following scandals in the wake of the 1987 global crash.

Though generally welcomed, this process has also sparked widespread fears of over-regulation. "We don't want to see the market regulated out of existence – people come here for a bit of performance," Mr Witts says, an argument which could apply equally to his annual motor race in Macao. "It's a big boys' market – not for people who cry about it if they take a knock."

ASIA PACIFIC

Nikkei drops sharply after touching record

Tokyo

MANY INVESTORS, faced with interest rate uncertainty and a lack of incentives, opted out yesterday, leaving share prices to fall in light trading, *writes Yuriko Mita in Tokyo.*

The Nikkei average rose briefly to a record high of 35,178.85 in the morning, but heavy index-linked selling and a cautious attitude soon took over and the index fell to its lowest point of 34,848.81. It closed 221.07 lower at 34,893.28.

Advances were outnumbered by declines, 390 to 506, while 202 issues were unchanged. Volume, at 545m shares, was slightly lower than Tuesday's 558m. The Topix index of all listed shares fell 9.43 to 2,644.02. In London trading, the ISE/Nikkei 50 index lost 1.29 to 2,096.68.

Investors were uncertain about the direction of US interest rates and were discouraged by the lack of fresh stimuli, according to one analyst. Another added that Japan's high short-term interest rates had upset investors.

Leading steels were lower across the board as dealers took to the sidelines, apparently made nervous by the weakening trend of bond prices, even though the yen was rising. Also, rumours circulated that a big bank had suffered heavy losses in the bond market. Nippon Steel, the third most active stock with a turnover of 11.15m shares, closed down Y7 at Y820. However, Nisshin Steel, the most active issue with 14.58m shares traded, rose Y10 to Y1,640.

Mirroring the market trend, Toyota advanced Y40 to a new high for the year of Y2,760 in the morning, but then fell back to close at Y2,700, down Y20. The motor group reports its results for the year to June 30 this week and analysts expect strong profit growth due to buoyant domestic demand.

Housing issues attracted interest. Sekisui House, Japan's largest housebuilder, was the second most active share of the day, closing up Y60 to Y2,390 on volume of 13.17m shares.

The ruling Liberal Democratic Party has been considering the introduction of tax incentives which would stimulate housing growth as part of its effort to regain public support. In addition, brokers have been turning to housing issues in a relatively weak market, as a "lighter, strategic sector" by comparison with heavy industrial stocks, according to Mr John Courtney of WI Carr.

Japanese consumers have recently become more reliant on the nse of credit cards, boosting the profits of many credit card issuers and retailers. Marui, the largest credit sales department store, and aimed at a younger clientele, continued its strong performance for the second day in a row, rising Y90 to Y2852.

Misawa Resort, a specialist in golf courses, hit a record high of Y3,280. Investors were enthusiastic about the successful restructuring of the company, after the transfer of effective control to Misawa Homes from the Nihon Cement group. Ths shares rose Y310 to Y3,240.

In Osaka, the OSE average dropped 21.76 to 35,084.32. Volume improved to 84.19m shares from Tuesday's 62.19m.

Roundup

RESOURCE stocks propelled Australia to a post-crash high, while South Korea also rose strongly. Taiwan's tax plans, however, sent that market sharply lower.

AUSTRALIA hit a new post-crash high, as steady offshore buying sent resource issues soaring in moderate trade. Mr Brad Rees of JB Were noted that metal stockpile figures, issued in London on Monday, pointed to a potentially tight supply situation in a number of commodities, including zinc, aluminium and copper.

Analysts also said that foreign buying had been encouraged by local resilience in the face of a sharp fall on Wall Street on Monday, and a poor start there on Tuesday. The All Ordinaries index rose 13.4 to 1,738.0, a 0.8 per cent gain, against a 1.7 per cent increase in the All Mining index.

Shares in Poseidon jumped 15 cents to A$2.80 on its acquisition of Bond Gold Australia for US$64m, lifting Poseidon's stake in Gold Mines of Kalgoorlie (GMK) to an estimated 19 per cent and opening the way to effective boardroom control. GMK rose 4 cents to 92 cents.

SEOUL rose sharply for the second consecutive day on expectations that the Government would adopt measures to hoost the domestic economy. The Korea composite index rose 13.31 to 931.83 in active trading.

TAIWAN reacted badly to the Government's new tax proposals. The weighted stock index fell 245.73 to 9,581.99, after news on Tuesday that the Finance Ministry proposed a tax of 2 per cent on the value of each stock sale. The market was also discouraged by Tuesday's rise in the discount rate.

HONG KONG fell back on continuing questions over the fate of the Chinese Communist leadership. The Hang Seng index lost 22.17 to 2,521.39 with, as on Monday, property stocks bearing the brunt of the slide.

NEW ZEALAND lost momentum, with a bullish morning run fizzling out by early afternoon, but the Barclays index still ended 4.76 higher at 2,409.33.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY AUGUST 22 1989						MONDAY AUGUST 21 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	151.03	+0.2	141.31	131.44	−0.1	4.74	150.67	141.51	181.58	157.12	128.28	151.28
Austria (19)	137.60	+0.5	128.75	139.96	+0.5	1.74	136.82	128.51	139.20	139.65	92.84	84.82
Belgium (63)	132.86	−0.2	124.32	134.18	−0.2	4.12	133.15	125.06	134.46	137.97	125.58	106.73
Canada (124)	150.04	−0.5	140.39	127.44	−0.8	3.16	150.81	141.65	128.26	153.59	124.67	117.37
Denmark (36)	199.45	−0.4	186.62	205.75	−0.6	1.52	200.33	188.15	207.00	219.89	165.35	121.34
Finland (26)	136.87	+0.3	128.07	126.62	+0.1	2.17	136.48	128.19	126.48	159.18	125.81	123.78
France (126)	126.36	−0.1	118.23	129.87	−0.5	2.90	126.49	118.80	130.56	133.44	112.57	88.76
West Germany (100)	96.82	+0.7	90.59	97.73	+0.8	2.09	96.11	90.27	97.48	100.53	79.56	72.08
Hong Kong (48)	106.56	+0.8	99.71	106.81	+0.8	5.08	105.90	99.47	106.15	140.33	86.41	102.94
Ireland (17)	153.11	−0.7	143.26	157.30	−1.0	2.67	154.26	144.89	168.95	166.69	125.00	131.20
Italy (97)	95.31	+0.9	89.18	99.08	+0.4	2.27	94.50	88.75	98.68	95.31	74.97	71.79
Japan (455)	187.01	−0.4	174.98	168.51	−0.3	0.47	187.73	176.32	168.98	200.11	164.22	162.60
Malaysia (36)	190.09	−0.1	177.87	197.18	−0.1	2.46	190.28	178.70	197.37	193.38	143.35	140.60
Mexico (13)	283.24	+1.5	265.03	789.70	+1.5	0.64	279.04	262.09	777.98	283.24	153.32	149.88
Netherland (43)	126.10	−0.4	117.99	125.90	−1.0	4.11	126.62	118.93	127.14	130.67	110.63	100.13
New Zealand (20)	85.43	+1.7	79.94	76.69	+1.8	4.42	84.04	78.93	75.47	85.43	62.64	76.82
Norway (24)	179.70	+0.6	168.14	173.11	+0.1	1.49	178.68	167.82	172.92	198.39	139.92	112.63
Singapore (26)	168.28	−0.3	157.45	152.30	−0.3	1.82	168.83	158.57	152.76	170.62	124.57	122.59
South Africa (60)	149.81	−0.8	140.18	140.86	−0.8	3.95	150.66	141.50	141.64	154.97	115.35	115.41
Spain (43)	156.53	+0.2	146.46	144.49	+0.2	3.56	156.18	146.69	144.23	158.06	143.14	143.34
Sweden (35)	178.93	−1.8	167.42	174.56	−2.2	1.98	182.18	171.11	178.47	188.94	138.45	111.42
Switzerland (64)	90.88	+0.8	85.04	94.29	+0.4	2.00	90.18	84.68	93.93	94.18	67.81	74.82
United Kingdom (308)	154.44	+0.1	144.50	144.50	−0.2	4.05	154.21	144.84	144.84	158.41	133.28	127.74
USA (551)	138.90	+0.1	129.96	138.90	+0.1	3.29	138.80	130.36	138.80	142.07	112.13	105.12
Europe (1001)	128.75	+0.2	120.47	125.50	−0.2	3.28	128.48	120.68	125.73	132.62	112.63	101.66
Nordic (121)	167.11	−0.9	156.36	159.89	−1.2	1.78	168.68	158.43	161.90	178.38	187.95	107.78
Pacific Basin (670)	182.72	−0.3	170.96	164.84	−0.3	0.70	183.34	172.20	165.26	194.72	160.44	159.77
Euro–Pacific (1671)	161.23	−0.2	150.86	149.04	−0.2	1.54	161.49	151.68	149.38	168.98	141.56	136.53
North America (675)	139.46	+0.0	130.49	138.19	+0.0	3.28	139.41	130.94	138.15	142.64	112.79	105.77
Europe Ex. UK (693)	112.53	+0.3	105.29	113.78	−0.1	2.69	112.24	105.42	113.94	116.28	96.30	85.49
Pacific Ex. Japan (215)	131.18	+0.4	122.75	118.04	+0.2	4.51	130.68	122.74	118.81	137.66	111.93	125.69
World Ex. US (1868)	160.81	−0.2	150.46	148.46	−0.2	1.61	161.09	151.30	148.82	166.35	141.49	135.67
World Ex. UK (2111)	151.68	−0.1	141.92	145.26	−0.1	1.96	151.86	142.63	145.45	155.66	136.98	123.48
World Ex. So. Af. (2359)	151.92	−0.1	142.15	145.20	−0.1	2.14	152.06	142.82	145.40	155.92	136.67	123.90
World Ex. Japan (1964)	135.36	+0.1	126.65	133.29	+0.0	3.33	135.22	127.00	133.35	138.23	114.51	105.26
The World Index (2419)	151.91	−0.1	142.14	145.16	−0.1	2.15	152.05	142.82	146.37	155.89	136.88	123.85

Latest prices were unavailable for this edition.
Constituent changes 23/8/89: Deletion: General Nutrition Inc.(US). Name change: FKI Babcock to FKI (UK).